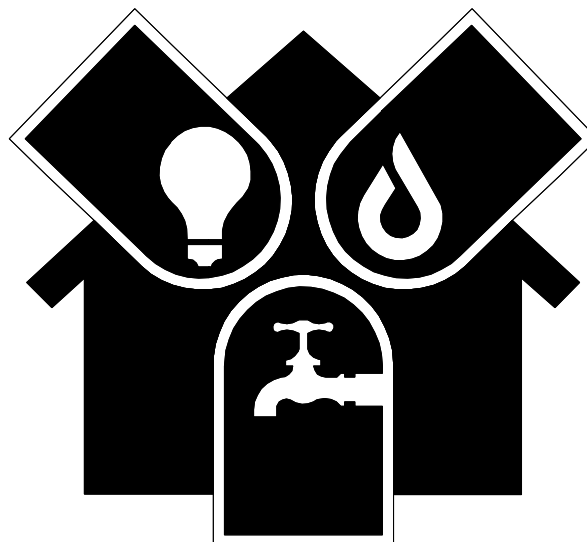


---

# **ILLINOIS COMMERCE COMMISSION**



**ANNUAL  
REPORT  
ON ELECTRICITY, GAS,  
WATER AND SEWER  
UTILITIES  
2011**

**ILLINOIS  
COMMERCE COMMISSION**

**ANNUAL REPORT  
ON ELECTRICITY, GAS, WATER  
AND SEWER UTILITIES**

**2011**



## ICC Annual Reports

This report is one of four annual reports issued by the Illinois Commerce Commission.

### **Annual Report on Electricity, Gas, Water and Sewer Utilities**

(issued 1985—1995 as Annual Report on Public Utilities)

This report may be obtained from:  
Illinois Commerce Commission  
Chief Clerk's Office  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-7434

Also on: [www.icc.illinois.gov](http://www.icc.illinois.gov)

### **Annual Report on Telecommunications**

This report may be obtained from:  
Illinois Commerce Commission  
Chief Clerk's Office  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-7434

Also on: [www.icc.illinois.gov](http://www.icc.illinois.gov)

### **Annual Report on the Transportation Regulatory Fund**

This report may be obtained from:  
Illinois Commerce Commission  
Transportation Division  
Walk-In Center  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-4654

### **Annual Report on the Use of the Grade Crossing Protection Fund**

This report may be obtained from:  
Illinois Commerce Commission  
Transportation Division  
Walk-In Center  
527 E. Capitol Avenue  
Springfield, Illinois 62701  
217/782-4654

### **The ICC On Line**

Agendas for Commission meetings, selected Commission orders, annual reports, and other information are available on line from the Commission's Web Site: [www.icc.illinois.gov](http://www.icc.illinois.gov)

ICC's Electronic Docketing System  
<http://eweb.icc.illinois.gov/e-docket>

Plug In Illinois—Choosing an Electric Supplier  
<http://www.pluginillinois.org/>

## Contacting the ICC

### **Springfield and Chicago Offices**

Illinois Commerce Commission  
527 E. Capitol Avenue  
Springfield, Illinois 62701

Illinois Commerce Commission  
160 N. LaSalle, Suite C-800  
Chicago, Illinois 60601

For any public utility service issue, for assistance, or information, or to file an informal complaint, please contact the ICC's Consumer Services Division.

Toll-free: 800/524-0795 (In Illinois only)  
800/858-9277 (TTY)

Chicago:

Illinois Commerce Commission  
Consumer Services Division  
160 N. LaSalle Street  
Suite C-800  
Chicago, IL 60601

Springfield:

Illinois Commerce Commission  
Consumer Services Division  
527 E. Capitol Avenue  
Springfield, Illinois 62701

On matters pertaining to trucking, and household goods moving, which are under the Commission's jurisdiction, please contact the Transportation Division Walk-In Center in Springfield.

217/782-4654  
217/782-4915 (TTY)

For Railroad Safety issues, please contact:  
217/782-7660

For Relocation Towing issues please contact:  
Illinois Commerce Commission  
Des Plaines Compliance Office  
847/294-4326





## ILLINOIS COMMERCE COMMISSION

---

January 31, 2012

The Honorable Pat Quinn  
Governor, State of Illinois  
State Capitol, Springfield, Illinois

Chairman and Members, Joint Committee on Legislative Support Service  
313 State Capitol, Springfield, Illinois

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 2011 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2011, through December 31, 2011.

The Annual Report is submitted in compliance with the Public Utilities Act and specifically addresses the items cited in Section 4-304 of that Act, which requires the Commission to report on the following subjects: a general review of agency activities; a discussion of the utility industry in Illinois; a discussion of energy planning; the availability of utility services to all persons; implementation of the Commission's statutory responsibilities; appeals from Commission orders; studies and investigations required by state statutes; impacts of federal activity on state utility service; and recommendations for proposed legislation.

Among other Commission reports provided to the Governor and General Assembly each year are the following:

- Annual Report on Telecommunications
- Annual Report on the Transportation Regulatory Fund
- Annual Report on the Use of the Grade Crossing Protection Fund

Additional information about the Commission and its activities is available from the Commission's web site listed on the previous page.

Sincerely,

A handwritten signature in cursive script that reads "Douglas P. Scott".

Douglas P. Scott  
Chairman



# TABLE OF CONTENTS

The Year in Review

Introduction

Statement of Mission

Commission Organization

1. General Review of Agency Activities .....	1
Review of Significant Commission Decisions.....	3
Pending Cases.....	3
Significant Regulatory Actions.....	3
Cases Filed During 2011 .....	4
Commission Budget and Personnel.....	6
Agency Organization and Administration.....	7
2. A Discussion of the Utility Industry in Illinois.....	9
Developments in the Illinois Regulatory Environment.....	11
Electric Power Procurement Obligations .....	11
Retail Electric Choice .....	12
Availability of Services by Geographic Area.....	13
Electricity.....	13
Natural Gas.....	16
Water and Sewer Utilities.....	19
Financial Health of the Utility Industry.....	22
3. A Discussion of Energy Planning.....	25
Integrated Resource Planning.....	27
Cogeneration.....	27
4. The Availability of Utility Services to all Persons.....	29
Programs Designed to Promote the Affordability of Utility Services.....	31
The Financial Impact of Uncollectible Expenses.....	33
Consumer Education Activities .....	34
5. Implementation of the Commission's Statutory Responsibilities.....	35
Commission Reorganization.....	37
Construction and Rate Supervision.....	37
Construction Audits.....	37
Management Audits.....	38
Excess Capacity Used and Useful .....	38
Rate Moderation Plan.....	38
Cost-Based Rates.....	38
Mergers.....	42
Asset Transfers or Sales.....	42
Informational Filings .....	43
Decommissioning.....	43
Promulgation of Ex Parte Rules .....	43



6.	Appeals from Commission Orders.....	45
	Appeals Involving Public Utilities.....	47
	Appeals Decided in 2010.....	48
7.	Studies and Investigations Required by State Statutes.....	55
	Emission Allowance Reports.....	57
	Estimated Billing Practices.....	57
	Cogeneration/Small Power Production.....	57
	Feasibility of Wheeling in Illinois.....	57
	Temporary Rate Increase.....	57
	Study of CWIP.....	57
	Rulemaking for Cancellation Costs.....	58
	Evaluation of the Fire Protection Charge.....	58
	Economic Development Program .....	58
	Peoples Gas Pipeline Safety Program Investigation.....	58
	Investigation of Ameren's Illinois Utilities' Storm Outage .....	59
	Analysis of Initial Clean Coal Facility's Cost Report.. ..	60
	Electric Energy Efficiency and Demand Response.....	60
	Illinois Power Agency .....	61
8.	Impacts of Federal Activity on State Utility Service.....	63
	Commission Policy and Actions in FERC Proceedings .....	65
	Developments in the Natural Gas Industry.....	65
	Developments in the Electric Power Industry.....	65
	National Developments.....	66
9.	Recommendations for Proposed Legislation.....	67
	Appendix A: Summary of Significant Commission Decisions.....	71
	Appendix B: Emission Allowance Reports .....	79

## ILLINOIS COMMERCE COMMISSION

# YEAR IN REVIEW

2011

### ENERGY ISSUES: Electricity

#### Electric Restructuring

The electric market was opened to approximately 4.4 million residential customers May 1, 2002. At the end of 2010, 62 alternative suppliers were certified to serve non-residential customers; however, 12 of those suppliers had secured Commission approval only to serve themselves or their affiliates. Thirty suppliers were eligible to serve residential customers. To assist customers who may be considering switching to an alternative provider for electric service, the ICC website provides a list of the names, addresses, contact personnel, and telephone numbers of those companies providing alternative retail electric service.

#### Office of Retail Market Development

Pursuant to Public Act 94-1095 (the "Retail Electric Competition Act of 2006"), the Commission established the Office of Retail Market Development in 2008. Section 20-102 of the Public Utilities Act requires the Commission to promote the development of an effectively competitive retail electricity market that is effective and beneficial to all Illinois consumers, so the Office of Retail Market Development focused its initial efforts on the implementation of Public Act 95-0700, which became effective in November 2007. Public Act 95-0700 required Commonwealth Edison and Ameren Illinois to provide consolidated billing to retail customers and purchase the receivables of electric suppliers. These requirements are designed to alleviate barriers to competition for residential and small commercial customers in Illinois. Ameren Illinois' consolidated billing and purchase of receivable program has been available since October 17, 2009. On January 20, 2010, Commonwealth Edison filed tariffs to implement a combined purchase of receivables with consolidated billing program. It was approved in December 2010. Public Act 95-0700 also requires ComEd and Ameren Illinois to implement a purchase of uncollectibles program. The Commission approved Ameren Illinois' program Nov. 8, 2011 and it has been implemented. ComEd's program is expected to be approved in May, 2012. On November 22, 2011 the Commission entered a second notice order and submitted the rule on consumer protections and education related to the consolidated billing and purchase of

receivables to the Joint Committee on Administrative Rules of the Illinois General Assembly.

#### Alternative Retail Electric Supplier Service

As of November 30, 2011, approximately 138,000 non-residential customers were purchasing power and energy from an Alternative Retail Electric Supplier or an electric utility selling outside its service area. The percentage of RES usage among all non-residential customers in the service territories of Ameren Illinois and Commonwealth Edison continues to exceed 90 percent. During 2008, the first residential customers switched to alternative suppliers since the residential market opened in May 2002. At the end of November, 2011, 223,000 residential electric customers had switched to an alternative supplier. Detailed electric customer switching statistics can be viewed on the Commission's web page at <http://www.icc.illinois.gov/electricity/switchingstatistics.aspx>.

#### Electric Rate Proceedings

During 2011, the Commission issued an order increasing electric delivery rates for ComEd customers after a thorough review (Docket No.10-0467) but rejected a separate request in a case (Docket No. 10-0527) in which the company sought to test an alternative form of regulation while implementing a number of projects including an infrastructure improvement program finding that the request did not comply with the requirements of Section 9-244 of the Public Utilities Act and that the mechanism to pay for the projects would add cost to customer bills. On November 8, 2011 ComEd filed a formula rate case (Docket No.11-0721) pursuant to Public Act 97-0616.

### CONSUMER EDUCATION PROGRAMS

#### Electric Customer Choice – "Plug in Illinois"

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state's electricity utility industry. Section 16-117 of the Public Utilities Act requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights and responsibilities. The ORMD updated the content on the Commission's electric choice website and made the information available under the new [pluginillinois.org](http://pluginillinois.org) website.

#### Natural Gas Choice

In some parts of Illinois, natural gas utilities voluntarily offer their residential and small retail commercial customers the opportunity to choose their supplier of natural gas. Alternative Gas Suppliers offering service to these customers must be licensed by the ICC. At the end of 2011, 19 companies were licensed as alternative gas

suppliers in Illinois. Public Act 95-1051, which took effect April 10, 2009 expanded consumer rights and protections. In accordance with Section 19-125 of the Public Utilities Act, the Commission website now includes consumer education information to help residential and small commercial customers understand their gas supply options and their rights and responsibilities. The educational information includes choices available, guidance for selecting an alternative gas supplier, comparisons of the prices and terms of products offered by alternative suppliers and procedures for addressing complaints.

The Commission selected an auditor and oversaw an audit of Just Energy's management practices in 2011. A final report from the audit firm will be delivered to the Commission in early 2012.

## **ENERGY ISSUES: Gas**

### **Gas Price Increases**

The Commission continued in 2011 to monitor the commodity cost of natural gas through its reviews and reconciliations of Purchase Gas Adjustment filings submitted by the gas utilities.

### **Gas Rate Proceedings**

During 2011, North Shore Gas Company and Peoples Gas, Light and Coke Company filed for an increase in their retail gas rates (Docket Nos. 11-0280 and 11-0281).

During 2011, Ameren filed for an increase in its retail gas rates (Docket No. 11-0282).

## **FERC**

In 2011, the Federal Energy Regulatory Commission ("FERC") continued to focus on improving the efficiency and transparency of the electricity and natural gas markets. FERC certified six natural gas storage fields located in Illinois with a total capacity of approximately 241 billion cubic feet of capacity and Northern Border Pipeline placed in operation its Princeton Lateral Project, which is designed to transport approximately 120 million cubic feet per day of natural gas from Northern Border's main line in Bureau County to an interconnection with the facilities of Central Illinois Light Company, near Princeton. In 2011 the FERC also issued several natural gas rulemakings and request for comment, including proposed revisions to environmental pipeline construction guidelines. On the electricity side, the FERC issued several orders intended to improve the operation and competitiveness of organized wholesale energy markets. For example, the FERC issued a new rule removing barriers to the participation of demand response resources in organized wholesale energy markets by requiring market operators to pay demand

response resources the market price for energy when those resources have the capability to balance supply and demand as an alternative to generation resource. The FERC also issued a rule establishing a new method of compensation for regulation service, an ancillary transmission service that protects the grid by correcting deviations in grid frequency and balance on transmission lines with neighboring systems. Finally, the FERC issued a request for comment concerning the impact of incentive-based rate treatments that are granted to developers of transmission facilities to encourage development of the transmission infrastructure under Order No. 679. However, the FERC also issued several orders and rulemakings that, while well intentioned, are likely to be controversial and possibly subject to legal challenge. Order No. 1000 proposed several reforms regarding transmission planning and cost allocation protocols used by public utilities that own and operate transmission facilities. In its request for rehearing, the ICC noted numerous errors the FERC made in Order No. 1000, including failing to recognize the distinction between cost causers and beneficiaries; violations of the Federal Power Act and case precedent by keeping the postage-stamp approach as an acceptable means of cost allocation; and allowing cost allocations to be based on a portfolio of projects, rather than individual projects, thus violating the requirement that transmission investments be prudent and that rates be just and reasonable. Another FERC order that holds potentially negative implications for Illinois, upholds a prior FERC decision approving postage stamp cost allocation for a class of transmission projects in the Midwest ISO call "Multi-Value Projects" (MVPs). In that docket the ICC argued that the Midwest ISO failed to show that the MVPs provide benefits to ratepayers that are at least roughly commensurate with the costs that would be allocated for the projects. After the FERC rejected the ICC's request for rehearing, the ICC filed an appeal which is currently pending in the U.S. Court of Appeals for the 7<sup>th</sup> Circuit. Similarly, the ICC's appeal of the 2007 FERC order approving socialized transmission cost allocation in PJM is still awaiting action from the FERC. The ICC argued that the FERC decision effectively imposed a billion dollars in costs on Illinois electric customers while creating no benefits for Illinois. In 2008 the U.S. Court of Appeals for the 7<sup>th</sup> Circuit remanded the order back to the FERC. The integration of renewable energy sources and the development of associated infrastructure has also become a top initiative of FERC. PJM and the Midwest ISO have issues before FERC regarding long-term resource procurement and the cost allocation of new transmission facilities that will impact the price and reliability of electric service in Illinois. Because of this, the ICC remains actively engaged in RTO cases to ensure that Illinois' interests are adequately represented.

## **WATER AND SEWER ISSUES**

Illinois-American Water Company ("IAWC") is the state's largest investor-owned water and sewer utility. In October 2011, IAWC filed tariffs requesting a general increase in water and sewer rates for all of its districts.

Aqua Illinois, Inc. ("Aqua") is the state's second largest investor-owned water and sewer utility. In April 2011, Aqua filed tariffs requesting a general increase in water and sewer rates for all of its divisions, except for the Kankakee Division.

In January 2011, the Commission issued an Order approving an increase in water and sewer rates for Northern Hills Water and Sewer Company, a Utilities, Inc. subsidiary.

In June 2011, Charmar Water Company, Cherry Hill Water Company, Clarendon Water Company, and Killarney Water Company filed tariffs requesting a general increase in water rates. Ferson Creek Utilities Company and Harbor Ridge Utilities, Inc. also filed tariffs requesting a general increase in water and sewer rates. All six utilities are subsidiaries of Utilities, Inc.

In November 2011, the Commission issued an Order approving a water rate increase for Great Northern Utilities, Inc. and Lake Holiday Utilities Corporation. Also in November 2011, the Commission issued an Order approving an increase in water and sewer rates for Camelot Utilities, Inc. All three utilities are subsidiaries of Utilities, Inc.

Four small water utilities filed requests in 2011 for water rate increases using the Simplified Rate Case Procedures: Eastwood Manor Water Company, McHenry Shores Water Company, Nunda Utility Company, and Woodlawn Utilities Corporation. In July 2011, Commission Staff conducted a public meeting for Bahl Water Corporation, which had filed a request in December 2010 for a water rates increase using the Simplified Rate Case Procedures.

Water and sewer utilities continued their usage of surcharges for purchased water (four utilities), purchased sewage treatment (two utilities), and qualifying infrastructure plant (two utilities).

## **COMMISSION ACTIVITIES**

As of the end of December 2011 the Commission had approved licenses for 182 agents, brokers or consultants who sought authority to procure or sell retail electricity to utility customers in Illinois. Ten applications for licenses were pending. Sample applications for licensing, bond

information and administrative code parts outlining the licensing requirements, as well as a code of conduct are available on the ICC's website. Agents, brokers and consultants applying for licenses to sell or market electricity in Illinois must adhere to the rules and provide the Commission with evidence of managerial, technical and financial capability. Each application must be reviewed within 90 days in compliance with the Public Utilities Act.

The Commission's Electric Policy and Natural Gas committees met with electric and natural gas utility, and energy executives to discuss energy supply issues, demand forecasts for 2011. The Commission also reviewed and approved the Illinois Power Agency's proposal to procure electricity for ComEd and Ameren Illinois' residential and small commercial customers in 2011.



## INTRODUCTION

The following report for calendar year 2011 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

Nine specific sections on which the Commission is asked to report are cited in the Act. The report is therefore divided into nine main parts, as follows:

- A general review of agency activities;
- A discussion of the utility industry in Illinois;
- A discussion of energy planning;
- The availability of utility services to all persons;
- Implementation of the Commission's statutory responsibilities;
- Appeals from Commission orders;
- Studies and investigations required by state statutes;
- Impacts of federal activity on state utility service; and
- Recommendations for proposed legislation.

For the convenience of the reader, each part is given the same number designation as the corresponding subsection of the Public Utilities Act that it addresses.

Other information about the Commission and its activities is available from the Commission's web site, [www.icc.illinois.gov](http://www.icc.illinois.gov).

During 2011, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

John T. Colgan

Sherman J. Elliott

Manuel Flores

Lula M. Ford

Erin M. O'Connell-Diaz

Doug Scott



---

---

## **ILLINOIS COMMERCE COMMISSION**

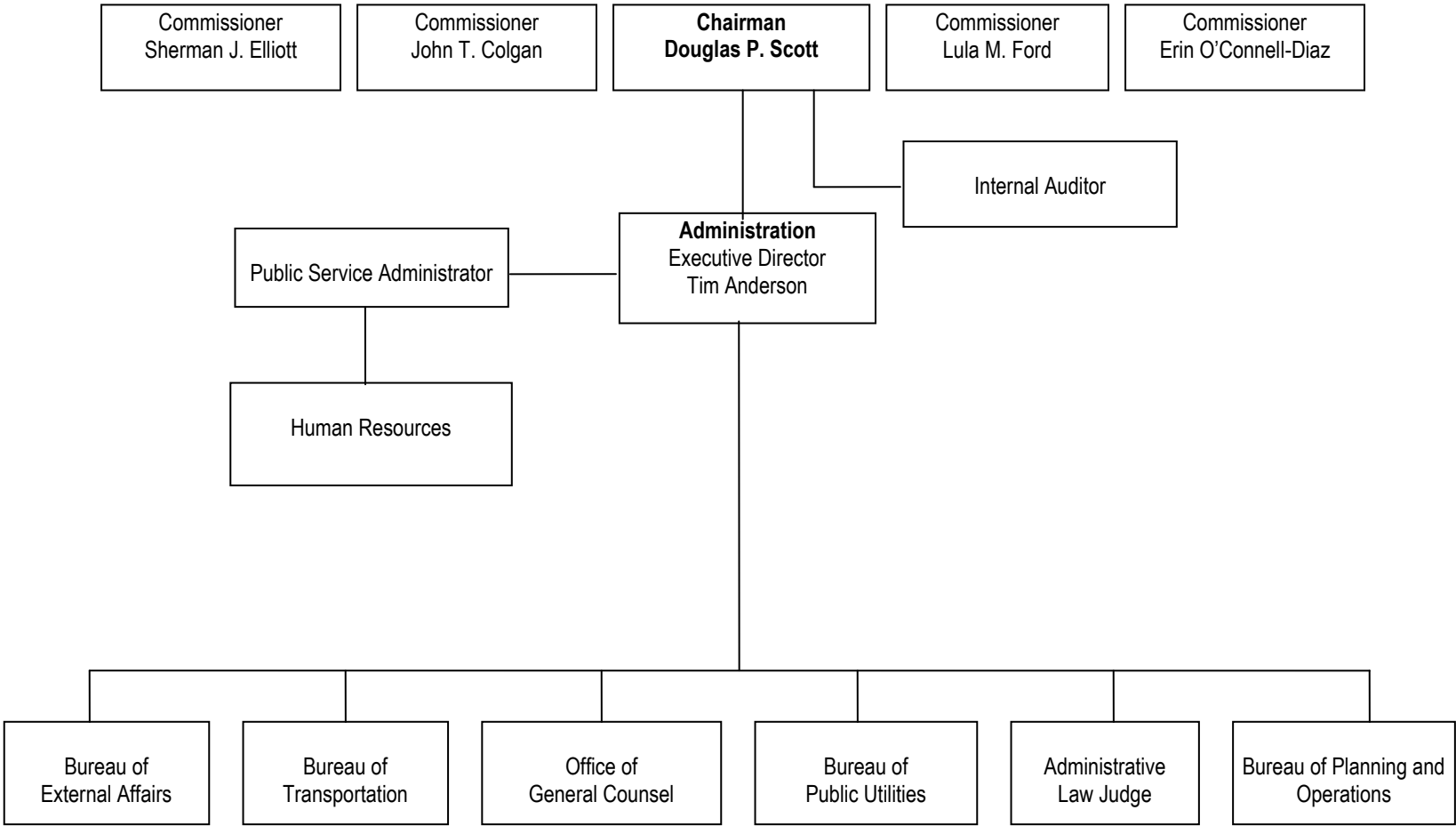
### **STATEMENT OF MISSION**

The Illinois Commerce Commission, in a period of emerging reliance on the marketplace to ensure fairly-priced, reliable, and adequate utility services, will protect consumer interests and manage the transition of network industries from regulation to efficient competition through the use of innovative regulatory practices. Through its actions, the ICC shall generally promote effective competition in utility and transportation industries, enhanced consumer choice, efficient and effective dispute resolution, and the sharing of impartial and comprehensive information within its jurisdiction as provided by law.





**ILLINOIS COMMERCE COMMISSION**  
**ORGANIZATION CHART**





# **SECTION 1**

## **General Review of Agency Activities**



---

---

**Public Utilities Act Section 4-304 requires:**

**(1) A general review of agency activities and changes, including:**

**(a) a review of significant decisions and other regulatory actions for the preceding year, and pending cases, and an analysis of the impact of such decisions and actions, and potential impact of any significant pending cases;**

**(b) for each significant decision, regulatory action and pending case, a description of positions advocated by major parties, including Commission staff, and for each such decision rendered or action taken, the position adopted by the Commission and reason therefore;**

---

---

## **REVIEW OF SIGNIFICANT COMMISSION DECISIONS**

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2011. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself.

Copies of these documents are available free of charge to public officers; others may obtain copies upon payment of the fee established in Section 2-201 of The Public Utilities Act. Selected orders and other Commission documents may be found on the Commission's web page ([www.icc.illinois.gov](http://www.icc.illinois.gov)) or in the Commission's electronic docketing system (<http://eweb.icc.illinois.gov/e-docket>).

## **PENDING CASES**

As noted above, Section 4-304 of the Public Utilities Act also requires a review of pending cases, including an analysis of the potential impact and a description of positions advocated by staff and major parties. The Commission feels that it is precluded from entering into discussions of pending issues or characterizing positions advocated by staff and parties in pending cases. The dangers of acting otherwise include the possibility of violating restrictions on ex parte communications (see Section 10-103 of the Public Utilities Act and 83 Ill. Adm. Code 200.710) and the possibility of later being held to have prejudged issues pending before the Commission as of the date of this report. The Commission's record in pending cases is available for examination through the Chief Clerk's Springfield office.

## **SIGNIFICANT REGULATORY ACTIONS**

Significant actions taken by the Commission during 2011 are described in the summary statement, "The Year in Review," immediately preceding this section.

---

---

*(1-c) a description of the Commission's budget, caseload, and staff levels, including specifically:*

*(i) a breakdown of type of case by the cases resolved and filed during the year and of pending cases;*

---

---

## **CASES FILED DURING 2011**

Table 1-1, Utility Cases Monthly Report, on the following page shows the cases and filings for each month for the years 2008, 2009, 2010 and 2011. This table also shows the totals by type for the year.

## **e-DOCKET: ICC's ELECTRONIC DOCKET FILING SYSTEM**

To aid both the Commission staff and the public at large, the Illinois Commerce Commission has developed an electronic filing, reporting, and case management system called e-Docket that is accessible on the World Wide Web.

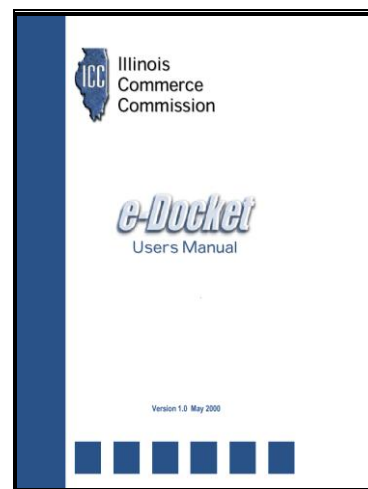
e-Docket is a Web-based, automated information and records-keeping system. It was developed to process and manage public information about the Commission's official cases and rulemaking proceedings. A person using e-Docket may conduct searches in two ways:

- **Search for cases:** permits searches by case types, service types, companies, and/or a date range as parameters.
- **Search for documents:** permits searches by document types, docket numbers, and/or a date range.

e-Docket has a variety of practical uses. Anyone interested in case proceedings conducted by the ICC may visit the e-Docket web site at <http://eweb.icc.illinois.gov/e-docket> and view a wealth of information about active and closed cases initiated on or after January 1, 2000.

## **e-DOCKET USERS MANUAL PROVIDES INSTRUCTIONS FOR SEARCHING FOR DOCUMENTS**

A twenty-four-page e-Docket users manual is available on the e-Docket web site to assist viewers in finding information about cases. It is important to remember, however, that e-Docket was first used as a way to store electronic documents in January 2000. Documents created prior to January 1, 2000, were filed with the Commission in paper format only. These are available for viewing in the Commission's Chief Clerk's Office.



**Table 1-1**  
**Utility Cases Monthly Report**

MONTHLY TOTALS	Current Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calander Year To Date
<b>Filings:</b>														
New Cases	2011	91	100	127	63	76	51	49	53	58	36	42	64	810
	2010	84	70	99	64	42	65	56	48	41	56	54	65	744
	2009	61	64	59	40	37	35	51	52	38	45	109	32	623
	2008	82	88	75	45	66	60	49	47	46	35	54	43	690
Filings/Reports (SPI)	2011	797	522	625	706	515	553	494	614	644	745	460	652	7,327
	2010	845	219	704	631	519	446	674	783	551	706	529	588	7,195
	2009	575	585	454	574	444	384	604	689	548	599	657	752	6,865
	2008	926	630	774	874	710	835	704	642	360	524	408	372	7,759
Filings/Reports (CHI)	2011	-	-	-	-	-	-	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-	-	-
Hearing & Commission Action Notices	2011	143	142	237	209	176	151	142	177	179	156	156	160	2,028
	2010	148	166	189	177	170	161	220	201	152	173	159	138	2,054
	2009	107	106	115	119	106	116	160	136	163	130	135	159	1,552
	2008	146	138	141	147	127	144	137	123	157	107	100	96	1,563
Supplemental/Reopen Petitions	2011	-	1	-	-	-	-	-	-	1	1	-	-	3
	2010	-	-	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	1	-	-	1	-	3	-	5
	2008	-	1	-	-	-	-	1	-	-	-	-	-	2
Petitions for Rehearing	2011	8	-	4	1	1	11	1	1	1	1	-	-	29
	2010	1	9	-	2	14	13	4	-	-	6	-	7	56
	2009	-	-	1	5	4	-	3	2	-	-	2	-	17
	2008	-	2	14	-	-	-	2	4	1	39	1	-	63
Notice of Appeals	2011	6	-	1	-	-	1	2	6	2	-	-	-	18
	2010	2	2	2	1	-	1	5	1	-	1	2	2	19
	2009	-	-	1	-	2	-	-	3	2	-	-	-	8
	2008	-	-	-	-	-	-	-	-	-	-	-	-	-
Cases Closed (Orders/Commission Actions)	2011	33	84	77	77	107	73	72	48	49	49	41	51	761
	2010	48	72	83	82	59	86	56	52	69	56	33	89	785
	2009	24	65	75	41	52	38	46	42	36	34	50	59	562
	2008	46	68	90	73	50	46	73	45	46	42	56	57	692
Tariff Filings	2011	142	148	99	106	137	114	102	105	101	104	93	163	1,414
	2010	122	115	157	118	175	197	122	122	115	100	122	160	1,625
	2009	131	109	140	116	237	139	144	95	121	116	92	131	1,571
	2008	104	117	161	130	126	118	109	145	125	151	100	117	1,503



(ii) a description of the allocation of the Commission's budget, identifying amounts budgeted for each significant regulatory division, or office of the Commission and its employees.

(iii) a description of current employee levels, identifying any change occurring during the year in the number of employees, personnel policies, and practices or compensation levels; and identifying the number and type of employees assigned to each Commission regulatory function and to each department, bureau, section, division, or office of the Commission.

The following table shows the Commission's budget and authorized headcount by divisions and funding source.

**TABLE 1-3**  
**Budget and Headcount by Division**  
**For Fiscal Year 2011**

	Chairman & Commissioners		Public Utility Division		Transportation Division		Totals	
	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$
Public Utility Fund	14	1,638,900	197	28,449,200	0	0	211	30,088,100
Transportation Fund	1	121,100	0	0	75	16,821,300	76	16,942,400
Digital Divide Infrastructure Fund	0	0	0	0	0	0	0	0
Capital Development Fund	0	0	0	0	0	52,857	0	52,857
Underground Utilities Damage Prevention Fund	0	0	0	126,000	0	0	0	126,000
Wireless Carrier Reimbursement Fund	0	0	0	7,300,000	0	0	0	7,300,000
Wireless Services Emergency Fund	0	0	0	65,000,000	0	0	0	65,000,000
<b>Totals</b>	<b>15</b>	<b>1,760,000</b>	<b>197</b>	<b>100,875,200</b>	<b>75</b>	<b>16,874,157</b>	<b>287</b>	<b>119,509,357</b>
Headcount is shown at the authorized level for FY12								
Budget \$ shown represent the FY12 appropriation.								

---

---

*(1-d) a description of any significant changes in Commission policies, programs or practices with respect to agency organization and administration, hearings and procedures or substantive regulatory activity.*

---

---

**AGENCY ORGANIZATION AND ADMINISTRATION**

There were no significant changes in Commission policies or programs with respect to agency organization or administration in 2011.



# **SECTION 2**

**A Discussion of  
the Utility  
Industry in  
Illinois**



---

---

***2. A discussion and analysis of the state of each utility industry regulated by the Commission and significant changes, trends and developments therein, including the number of types of firms offering each utility service, existing, new and prospective technologies, variations in the quality, availability and price for utility services in different geographic areas of the State, and any other industry factors or circumstances which may affect the public interest or the regulation of such industries.***

---

---

## **SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT**

Many of the developments in the electric industry came in the aftermath of the end of the rate reductions and freeze originally set forth in the Electric Service Customer Choice and Rate Relief Law of 1997 ("the 1997 Law"). Concern over higher rates subsequent to the end of the rate freeze culminated in the Illinois Power Agency Act, P.A. 095-0481 ("the IPAA"). The IPAA created a state agency, the Illinois Power Agency, to procure power and renewable energy resources for Commonwealth Edison Company ("Commonwealth Edison") and the three Illinois Ameren Companies (AmerenCILCO, AmerenCIPS, and AmerenIP). In addition, the IPAA required that major utilities meet goals for energy efficiency and demand response programs.

Public Act 96-0033 (Senate Bill 1918), which became effective in 2009, is likely to produce significant changes for Illinois electric and gas public utilities, their customers, and the Commission. This Act directs electric and gas utilities serving more than 100,000 customers to offer percentage of income payment plans to their customers; these plans would provide assistance to customers paying more than 6% of their income for electric and gas utility bills combined. The Act also directs the same electric and gas utilities to offer their customers on-bill financing for the purchase of cost-effective energy efficiency measures. It allows all electric and gas utilities to recover excess bad debt expenses through an automatic rate adjustment mechanism generally known as a "rider." The Act clarifies the deadline for the electric utilities to file plans outlining energy efficiency and demand response measures, and requires gas utilities with more than 100,000 customers to implement energy efficiency measures. The Act also adds restrictions on the employment of former Commissioners and Commission employees, requires the Commission to address specifically utility rate case expenditures for attorneys and experts in each general rate case, requires transcripts of all Commission meetings to be a part of the record in each case, and expands the scope of prohibited communications pertaining to rate matters. Finally, the Act imposes renewable portfolio standards on alternative retail electric suppliers and utilities operating outside their service territories.

### **Electric Power Procurement Obligations**

Wholesale electricity purchased by Commonwealth Edison Company ("ComEd") and Ameren Illinois Companies is subject to Section 1-75 of the Illinois Power Agency Act ("IPA Act")<sup>1</sup> and Section 16-111.5 of the Public Utilities Act ("PUA")<sup>2</sup>. These laws include the following major features:

- An annual procurement plan is prepared by the Illinois Power Agency ("IPA").
  - A draft plan is first submitted (by August 15) and subject to a 30-day public comment period.
  - At the end of the 30-days, the revised plan is filed with the Commission.
  - Parties have five days to raise objections with the filed plan.
  - The Commission has another five days to determine if hearings should be held.
  - A Commission order approving or modifying the plan must be entered within 90 days of the plan filing.<sup>3</sup>
- Procurement of "standard products" must be made through sealed-bid, pay-as-bid RFP processes.
- Procurement of "renewable energy resources" is also required according to the States' renewable portfolio standard ("RPS"), consisting of a schedule and a set of restrictions and preferences detailed in Section 1-75(c) of the IPA Act<sup>4</sup>.
- The RFP process is conducted by an IPA-hired and Commission-approved "procurement administrator."

---

<sup>1</sup> 20 ILCS 3855/1-75

<sup>2</sup> 220 ILCS 5/16-111.5

<sup>3</sup> There is currently a procurement plan proceeding before the Commission (Docket 09-0373), and Ex Parte laws prevent any discussion of that case within this briefing.

<sup>4</sup> 20 ILCS 3855/1-75(c)

- The RFP process is monitored by a Commission-hired “procurement monitor.” At present, the Commission’s procurement monitor is the consulting firm of Boston Pacific Company.
- The procurement administrator and monitor independently submit to the Commission confidential reports within two business days after the receipt of bids.
- The Commission reviews the confidential reports and either accepts or rejects the recommendations of the procurement administrator within two business days after receipt of the reports.
- If, by the above action, the Commission approves of utilities entering into contracts, then contracts with winning bidders are executed within three business days.

To date, the implementation of plans subject to the above-cited portions of the IPA Act and the PUA has concluded with a series of five separate bidding events in the spring for five types of contracts:

1. Financial energy swaps entered into by Ameren to establish fixed-quantity price hedges vis-à-vis MISO<sup>5</sup> day-ahead and real-time spot prices over portions of a one to three-year period.
2. Analogous physical energy contracts entered into by ComEd, to establish fixed-quantity price hedges vis-à-vis PJM<sup>6</sup> day-ahead and real-time spot prices over portions of a one to three-year period.
3. Contracts for a fixed quantity of renewable energy certificate (“REC”) generated during the upcoming 12-month plan year, in order to enable Ameren to satisfy the State’s RPS.
4. Analogous REC contracts to enable ComEd to satisfy the State’s RPS.
5. Capacity contracts to enable Ameren to satisfy resource adequacy requirements of MISO over portions of a one to three-year period.<sup>7</sup>

The results of previous procurements can be found on the Commission’s web site at <http://www.icc.illinois.gov/electricity/ElectricityProcurement.aspx>.

Shortly after the conclusion of the spring procurement events, Ameren and ComEd revise the base level of retail charges through which the costs of electricity and RECs are recovered from customers. Actual revenues and actual costs are monitored on a monthly basis, and rates are adjusted, as necessary, to minimize the accumulation of a revenue-cost imbalance. An annual audit and reconciliation proceeding is also held.

### **Retail Electric Choice**

The Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state’s electric service industry to allow for competition among suppliers. The 1997 Law established a fixed timetable for the introduction of electric retail choice in Illinois, beginning with approximately 64,000 non-residential electric customers, or about one-seventh of all non-residential customers, on October 1, 1999. An additional 609,000 non-residential customers became eligible for retail choice on January 1, 2001. An estimated 4.4 million Illinois residential customers became eligible for the retail choice program in May 2002. All customer classes are now eligible to choose alternative suppliers. At the end of December 2011, 62 suppliers were certified to serve non-residential customers though 12 of those sought Commission authority to only serve themselves or affiliates. Thirty suppliers were certified to serve residential customers. Approximately 138,000 non-residential customers in Illinois were purchasing power and energy from a Retail Electric Supplier (RES) as of November 30, 2011. The percentage of RES usage among non-residential customers with a peak demand above one megawatt in the service territories of Ameren Illinois and Commonwealth Edison continues to exceed 90 percent. There were approximately 223,000 residential customers taking electricity service from a RES in Illinois at the end of November 2011. Detailed electric customer switching statistics can be viewed on the Commission’s web page at <http://www.icc.illinois.gov/electricity/switchingstatistics.aspx>.

Since electric competition was beneficial to larger commercial customers but little competitive activity occurred in the residential and smaller commercial customer classes, the Illinois General Assembly passed Public Act 94-1095 (the “Retail Electric

<sup>5</sup> MISO is the Midwest Independent Transmission System Operator. It is the regional transmission organization (“RTO”) to which Ameren belongs. MISO coordinates the movement of power in 13 U.S. states and the Canadian province of Manitoba. <http://www.midwestiso.org>

<sup>6</sup> PJM is the PJM Interconnection, which is the RTO to which ComEd belongs. PJM coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. Originally, it operated within Pennsylvania, New Jersey, and Maryland; hence the name, PJM. <http://www.pjm.com/>

<sup>7</sup> ComEd has been authorized by previous approved procurement plans to satisfy resource adequacy requirements through payments directly to PJM, derived through PJM’s Reliability Pricing Model (“RPM”).

Competition Act”) in 2007 reiterating “its findings from the Electric Service Customer Choice and Rate Relief Law of 1997 that the Illinois Commerce Commission should promote the development of an effectively competitive retail electricity market that operates efficiently and benefits all consumers.” Public Act 94-1095 created the Office of Retail Market Development to actively seek out ways to promote retail competition in Illinois to benefit all consumers. The Office of Retail Market Development has spent much of its time with the implementation of Public Act 95-0700 (which became effective November 2007) requiring Commonwealth Edison and Ameren Illinois to provide utility consolidated billing and the purchase of RES receivables. The requirements of Public Act 95-0700 were designed to remove some barriers to competition for residential and small commercial customers in Illinois. On September 30, 2008, the three Ameren Companies filed tariffs to implement some of the requirements of Public Act 95-0700, and on August 19, 2009, the Commission issued an Order approving Ameren’s utility consolidated billing and purchase of receivables program. Ameren implemented its program on October 17, 2009. On January 20, 2010, Commonwealth Edison filed tariffs to implement a combined purchase of receivables with consolidated billing program. ComEd implemented its program on December 21, 2010. Public Act 95-0700 also requires Ameren Illinois and ComEd to implement a purchase of uncollectibles or POU program. Ameren Illinois filed tariffs on April 15, 2011 for approval of its POU program. The Commission approved the Ameren Illinois program on November 8, 2011 and the program has since been implemented. ComEd filed its POU tariffs on May 15, 2011 with a Commission decision expected by May 2012.

In the Commission’s Order on August 19, 2009 approving the Ameren Illinois Utilities’ consolidated billing and purchase of receivables program, the Commission concluded that, “consumer education and protection are both very important to any program implementing customer choice, particularly for smaller customers.” Staff was ordered to submit a proposed First Notice Rule of consumer protections and education measures by the end of 2009. Staff submitted to the Commission proposed obligations of retail electric suppliers which include additional consumer protections and education measures. On December 2, 2009, the Commission entered a First Notice Rule and initiated a Docket to provide interested parties further opportunities to comment on Staff’s proposal. On November 22, 2011 the Commission entered a Second Notice Order and submitted the rule to the Joint Committee on Administrative Rules of the Illinois General Assembly, pursuant to Section 5-40(c) of the Illinois Administrative Procedure Act. Additional obligations of RESs included in the proposed rules include uniform disclosures, marketing requirements, a “Do Not Market List”, training requirements for sales agents, a longer rescission period, record retention and availability requirements, notification of contract renewal and dispute resolution procedures.

## **DISCUSSION OF THE QUALITY, AVAILABILITY, AND PRICE OF UTILITY SERVICES BY GEOGRAPHIC AREA**

### **ELECTRICITY**

Four investor-owned public utilities provide electric service to retail customers in the State of Illinois:<sup>8</sup>

- Ameren Illinois
- Commonwealth Edison Company
- MidAmerican Energy Company
- Mt. Carmel Public Utility Company

Municipal systems and electric cooperatives also provide electric service in Illinois; these municipal systems and electric cooperatives are not subject to regulation by the Commission.<sup>9</sup>

A detailed presentation of the 2009 sales statistics presented below can be found in the Commission’s “Comparison of Electric Sales Statistics for Calendar Years 2009 and 2010” at <http://www.icc.illinois.gov/publicutility/salesstatistics.aspx>.

### **Northern Illinois**

Two public utilities provide electric service in northern Illinois: Commonwealth Edison Company, and MidAmerican Energy Company. Commonwealth Edison Company is the largest investor-owned electric utility in Illinois, serving 3,801,999 customers in the northern Illinois including the Chicago metropolitan area. MidAmerican Energy Company provides service to 84,677 customers in northwestern Illinois.

---

<sup>8</sup> On October 1, 2010, AmerenCILCO, AmerenCIPS, and AmerenIP merged into one operating company based in Peoria, called Ameren Illinois.

<sup>9</sup> Data concerning quality, availability, and price for these municipal electric systems and electric cooperatives are not reported to the Commission and are not included in this report.



For 2006 through 2010, these two utilities charged the following average prices, shown in cents per kWh, for bundled service and full requirements service customers:

	2006	2007	2008	2009	2010
Commonwealth Edison	7.74¢	10.30¢	11.06¢	10.91¢	11.44¢
MidAmerican Energy	6.17	6.07	6.06	6.07	6.19¢

#### **Central Illinois and Southern Illinois**

Two investor-owned public utilities provide electric service to central Illinois and southern Illinois: AmerenIL and Mt. Carmel Public Utility Company. AmerenIL serves 1,197,805 customers in central and southern Illinois. Mt. Carmel Public Utility Company serves 5,489 customers in southeastern Illinois.

For 2006 through 2010, these utilities charged the following average prices, shown in cents per kWh, for bundled service and full requirements service customers:

	2006	2007	2008	2009	2010
AmerenCILCO	6.30¢	10.08¢	9.52¢	9.38¢	
AmerenCIPS	5.78	9.17	9.91	9.69	
AmerenIP	6.68	10.01	10.62	10.87	
AmerenIL				0.21	9.69
Mt. Carmel	7.75	9.29	12.36	12.82	12.45

**Table 2-1**

The bundled service price of electricity sold by the electric utilities varied between utilities and within utilities depending upon the class of customer served. Table 2-1 shows detailed price per kWh information for all six electric utilities under ICC Jurisdiction.

**Table 2-1**  
**Illinois Electric Utilities**  
**Revenue in Cents per kWh for Bundled Service and Full Requirements Service by Class of Service and by Company**  
**2010**

	Ameren <u>Illinois</u>	<u>ComEd</u>	Mid- <u>American</u>	Mt. <u>Carmel</u>
<u>Class of Service</u>				
Residential Sales	10.301.14	12.25	8.32	12.99
Small (or Commercial) Sales	9.91	10.58	6.48	13.52
Large (or Industrial) Sales	6.51	-4.06	4.11	11.08
Public Street & Highway Lighting	11.03	9.48	8.65	-
Other Sales To Public Authorities	9.82	8.06	5.11	9.23
Sales to Ultimate Customers	9.69	11.44	6.19	12.45

## Electric Reliability

Pursuant to Section 16-125 of the Public Utilities Act and the Commission's electric reliability rules found in 83 Ill. Adm. Code 411, each of the six investor-owned public utilities files an annual electric reliability report summarizing the entity's reliability performance, actions to maintain or improve its reliability, and other electric system reliability issues specific to the utility. Each utility's annual electric reliability report can be found on the Commission's web site at <http://www.icc.illinois.gov/electricity/electricreliability.aspx>. In 2010, Ameren combined its three Illinois electric and gas utilities into a single electric and gas utility, AmerenIL. However, AmerenIL filed reliability data for each of the three former electric service areas for this final year, 2010. For 2011, AmerenIL filed reliability data for the single combined electric service area.

The following table presents the annual CAIDI for each utility for the years 2006 through 2010. CAIDI, expressed in minutes, provides the average duration of interruptions that customers experienced. CAIDI is calculated by dividing the annual sum of all customer interruption durations by the total number of customer interruptions.

	CAIDI				
	2006	2007	2008	2009	2010
AmerenCILCO	489	151	303	197	168
AmerenCIPS	754	146	222	462	103
AmerenIP	1,545	346	198	187	154
Commonwealth Edison	149	193	180	112	181
MidAmerican	87	291	880	106	172
Mt. Carmel	224	63	69	76	121

The following table presents the annual SAIFI for each utility for the years 2006 through 2010. SAIFI provides the average number of electric service interruptions that customers experienced. SAIFI is calculated by dividing the total number of customer interruptions that occurred on the utility's system by the total number of customers that the utility served (as with CAIDI, a lower value means better reliability).

	SAIFI				
	2006	2007	2008	2009	2010
AmerenCILCO	1.61	1.16	1.75	1.37	1.60
AmerenCIPS	2.04	1.46	1.88	1.51	1.27
AmerenIP	2.53	1.38	1.41	.99	1.28
Commonwealth Edison	1.43	1.53	1.33	1.01	1.35
MidAmerican	1.89	3.95	4.17	2.51	2.99
Mt. Carmel	1.90	2.56	4.30	2.32	4.89

## NATURAL GAS

Nine investor-owned gas public utilities currently provide natural gas service in the State of Illinois:

- AmerenIllinois
- Atmos Energy Corporation
- Consumers Gas Company
- Illinois Gas Company
- MidAmerican Energy Company
- Mt. Carmel Public Utility Company
- Nicor Gas Company
- North Shore Gas Company
- Peoples Gas Light and Coke Company.

Municipal gas systems and gas cooperatives also provide natural gas service in Illinois; these municipal gas systems and gas cooperatives are subject to regulation by the Commission.<sup>10</sup>

During 2010, natural gas service was available without major interruption to all firm customers served by these nine Illinois gas utilities. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. Residential customers served by Nicor Gas Company, North Shore Gas Company,

---

<sup>10</sup> Data concerning quality, availability, and price for these municipal gas systems and gas cooperatives are not reported to the Commission and are not included in this report.

Peoples Gas Light and Coke Company are allowed to purchase gas directly from wholesale suppliers. During 2011, sufficient supplies of natural gas are expected to be available to all customers.

A detailed presentation of the 2009 sales statistics presented below can be found in the Commission's "Comparison of Gas Sales Statistics for Calendar Years 2010 and 2009" at <http://www.icc.illinois.gov/publicutility/salesstatistics.aspx?type=g>.

### **Northern Illinois**

Four public utilities distribute and sell natural gas in northern Illinois: MidAmerican Energy Company, Nicor Gas Company, North Shore Gas Company, and Peoples Gas Light and Coke Company.

Nicor Gas Company is the largest gas distribution company in the state and provides service to 1,914,346 customers in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest gas utility in Illinois with 761,130 customers. North Shore Gas Company serves 145,647 gas customers in communities north of the Chicago area. Finally, MidAmerican Energy Company serves 65,400 customers in northwestern Illinois.

As with the price of electricity, the price of gas varies among utilities and is generally determined by the suppliers of natural gas that serve the local distribution company.

For 2006 through 2010, these four utilities charged the following average prices shown in cents per therm:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
MidAmerican	102.90¢	101.18¢	107.78¢	76.94¢	73.10¢
Nicor Gas	89.72	88.40	101.23	68.26	75.65
North Shore	114.58	114.96	118.71	89.93	89.86
Peoples Gas	130.80	127.01	128.48	96.14	96.54

### **Central Illinois**

One public utility distributes and sells natural gas in central Illinois: AmerenIL provides gas service to 812,485 customers.

For 2006 through 2010, these utilities charged the following average prices shown in cents per therm

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
AmerenCILCO	114.85¢	112.72¢	117.37¢	93.45¢	
AmerenCIPS	120.92	117.94	127.56	106.65	
AmerenIP	120.76	111.02	125.02	105.11	
AmerenIL				101.90	101.23

### **Southern Illinois**

Gas distribution and sale of natural gas is provided in southern Illinois by AmerenIL as discussed above, and the following four smaller distribution companies: Atmos Energy Corporation, Consumers Gas Company, Illinois Gas Company, and Mt. Carmel Public Utility Company. Atmos Energy Corporation provides service to 22,613 customers in a number of distinct service areas in southern Illinois. Illinois Gas Company serves 9,726 customers in the Lawrenceville-Olney area. Consumers Gas Company serves 5,509 customers in the Carmi area. Finally, Mt. Carmel Public Utility Company serves 3,545 customers in the Mt. Carmel area.

For 2006 through 2010, these four utilities charged the following average prices shown in cents per therm

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Atmos Energy	114.91¢	107.94¢	126.50¢	91.08¢	88.26¢
Consumers Gas	123.88	112.18	127.28	102.27	90.89
Illinois Gas	127.75	120.40	131.81	91.05	89.15
Mt. Carmel	136.86	129.02	139.36	131.74	119.80

**Table 2-2**

The price of gas sold by the gas utilities varied between utilities and within utilities depending upon the class of customer served. A major portion of the price per therm of gas is determined by the suppliers of natural gas that serve the local distribution company. Table 2-2 shows detailed 2010 price per therm information for all gas utilities under the Commission's jurisdiction.

**Table 2-2**  
**Illinois Gas Utilities**  
**Revenue in Cents per Therm by Class of Service and by Company**  
**2010**

	<u>Ameren IL</u>	<u>Atmos Energy</u>	<u>Consumers Gas</u>	<u>Illinois Gas</u>
Residential Sales	107.27	92.25	89.44	98.30
Small (or Commercial) Sales	97.92	81.85	95.5-	87.04
Large (or Industrial) Sales	62.52	70.13	154.79	70.89
Other Sales To Public Authorities	--	88.51	183.51	-
Total Sales To Ultimate Customers	101.23	88.26	92.74	89.15

	<u>Mid- American</u>	<u>Mt. Carmel</u>	<u>Nicor Gas</u>	<u>North Shore Gas</u>	<u>Peoples Gas</u>
Residential Sales	90.21	123.42	76.70	91.66	99.01
Small (or Commercial) Sales	75.81	111.59	72.69	81.58	85.19
Large (or Industrial) Sales	56.61	-	66.73	77.42	77.38
Other Sales To Public Authorities	-	-	-	-	-
Total Sales To Ultimate Customers	84.11	119.80	75.65	89.86	96.54

## **WATER AND SEWER UTILITIES**

### **Overview**

The Commission currently regulates 25 water, 3 sewer, and 12 combined water and sewer investor-owned utilities. While the number of investor-owned utilities is a small percentage of the 1,758 public water suppliers and 854 public sanitary sewage systems with treatment facilities in the state, these investor-owned utilities provide water service to approximately 923,000 people and sewer service to approximately 113,000 people. Investor-owned water utilities serve 7.6 percent of all persons in Illinois receiving water service from community public water supplies. These investor-owned water and sewer utilities serve customers in 35 counties and are primarily concentrated in the Chicago metropolitan area. The number of water and sewer customers served by each investor-owned utility ranges from 24 to 308,350. Only seven investor-owned water utilities and three investor-owned sewer utilities serve more than 1,000 customers. See Table 2-3 for a comparison of bills for investor-owned water utilities providing service to 1,000 customers or more.

The Commission has continued its efforts to reduce the number of small utilities. Small utilities, due to their limited number of customers, typically have difficulties generating sufficient revenues to maintain the system and to hire employees with the necessary expertise to function efficiently as an investor-owned utility. The Commission has found that, in most cases, customers receive better service from larger utilities due to the economies of scale. The Commission has promoted acquisitions or mergers of small systems by larger municipal and investor-owned utilities to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility exists of operating a small system as a mutual operation by a homeowners association. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for small systems. This type of activity was evident during 2011:

- The Water Department continued to work with the owners of Colonial Meadows Water Company, Eastwood Manor Water Company, Nunda Utility Company, Crystal Clear Water Company, and McHenry Shores Water Company, whom expressed a desire to sell these small, struggling investor-owned water utilities in McLean and McHenry Counties.

### **Regulatory Activities**

The Commission issued Orders and approvals in the following rate cases:

- On January 20, 2011, issued an Order approving a water and sewer rate increase for Northern Hills Water and Sewer Company, a subsidiary of Utilities, Inc. (Docket No. 10-0298)
- On November 8, 2011, issued an Order approving a water rate increase for Great Northern Utilities, Inc. and Lake Holiday Utilities Corporation and a water and sewer rate increase for Camelot Utilities, Inc., three subsidiaries of Utilities, Inc. (Docket Nos. 11-0059/11-0141/11-0142 consolidated)

In addition to the above rate cases, in December 2010, Bahl Water Corporation filed an application for a general water rate increase using the Simplified Rate Case Procedures. Then, in April 2011, Aqua Illinois, Inc. filed tariffs requesting a general increase in water and sewer rates for all of its divisions, except for the Kankakee Division (Docket No. 11-0436). Then, in June 2011, Utilities, Inc. filed tariffs requesting a general increase in water and sewer rates for six of its subsidiaries, Charmar Water Company, Cherry Hill Water Company, Clarendon Water Company, Killarney Water Company, Ferson Creek Utilities Company, and Harbor Ridge Utilities, Inc. (Docket Nos. 11-0561 through 11-0566 consolidated). Then, in October 2011, Illinois-American Water Company filed tariffs requesting a general increase in water and sewer rates for all of its districts (Docket No. 11-0767). Also, in 2011, four utilities, Eastwood Manor Water Company, McHenry Shores Water Company, Nunda Utility Company, and Woodlawn Utilities Corporation, filed applications for a general water rate increase using the Simplified Rate Case Procedures.

Some investor-owned utilities continue to use purchased water and sewage treatment surcharges and qualifying infrastructure plant surcharges. Purchased water and sewage treatment surcharges allow utilities to pass their cost of purchasing water or sewage treatment directly to the end-use customers. Qualifying infrastructure plant surcharges allow utilities to recover the cost of replacement mains, services, meters, and hydrants until such time that those investments are placed into rate base through the rate setting process. Currently, Harbor Ridge Utilities, Inc. and Illinois-American Water Company have purchased sewage treatment surcharges; Charmar Water Company, Del-Mar Water Company, Illinois-American Water Company, and Aqua Illinois, Inc., have purchased water surcharges; and Aqua Illinois, Inc. and Illinois-American Water Company have qualifying infrastructure plant surcharges.

### **Discussion of Water and Sewer Utilities**

Water supplies for investor-owned water utilities were generally adequate in 2011.

Many of the larger investor-owned water utilities serve municipalities adjacent to the state's major rivers; these utilities use the rivers as their source of water supply. River supplies are generally adequate. When treated, the river water meets the standards established by the Illinois EPA.

Most of the smaller investor-owned water utilities serve unincorporated residential developments, often a single subdivision, and are typically located in the northern half of the state. Wells serve as the source of water supply for most small systems. Well water quality varies considerably, and well water can contain undesirable minerals such as iron, manganese, and calcium; these minerals, while not unsafe to health, do cause aesthetic problems. Aesthetic problems have caused several well systems located in the Chicago metropolitan area to obtain Lake Michigan water.

Bills for water service typically reflect a flat meter charge and a volumetric charge. Utilities that incorporate multiple volumetric charges use a declining block rate structure. Most of the large investor-owned water utilities also charge for providing fire protection service. The water rates vary considerably and depend on many factors, including the age of the water treatment plant and treatment process, the source of the water supply, and the need for infrastructure improvements. Overall, water bills for residential customers average \$35 to \$40 per month.

Of the 15 investor-owned utilities that provide sewer service, only three systems provide service to more than 1,000 customers. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest sewer systems have, where possible, sought treatment from nearby regional plants. For example, sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD") discharge their wastewater to the MWRD for treatment. The investor-owned sewer utilities provide sewer service primarily to residential customers and serve a very limited number of commercial and industrial customers.

Bills for sewer service typically reflect flat rate charges or volumetric charges based on water usage, since metering of sewage flow is uneconomical and impractical for residential customers. The sewer rates vary considerably and depend on many factors, including the age of the sewage treatment plant and treatment criteria for the receiving stream. Overall, sewer bills for residential customers average \$30 to \$35 per month.

**Table 2-3**

Table 2-3 presents a comparison of monthly bills for residential customers of investor-owned water utilities providing service to 1,000 customers or more.

**Table 2-3**  
**Illinois Water Utility Rate Areas Serving 1,000 or More Customers**  
**Comparison of Monthly Bills — Residential Customers with 5/8 Inch Meters**  
**Based upon Rates in Effect on November 30, 2011**

Area of State/ Utilities/ Service Areas	Total Number of Customers	Bill Comparison Based upon Water Usage		
		2,000 Gallons	7,000 Gallons	12,000 Gallons
NORTHERN				
Apple Canyon	2,653	\$ 30.14	\$ 58.66	\$ 87.18
Aqua Illinois				
Candlewick	1,835	23.16	46.06	68.96
Kankakee	28,862	30.45	57.93	85.41
University Park	2,367	15.22	23.40	31.58
Willowbrook	1,020	22.12	43.67	60.40
Galena Territory	2,247	26.31	59.91	93.51
Illinois-American				
Chicago Metro				
Well Water	1,584	29.35	52.20	75.05
Lake Water				
Chicago Suburban	4,320	46.94	81.35	115.76
DuPage County	6,291	40.82	75.28	109.74
Fernway	1,993	34.43	69.79	105.15
Sante Fe/SW & W Suburban	29,726	39.07	86.23	133.39
South Beloit	2,789	24.99	49.03	73.07
Sterling	6,465	34.73	59.03	83.33
Streator	7,450	28.35	52.69	77.03
Lake Holiday	2,106	14.74	38.54	63.34
Lake Wildwood	1,414	36.24	62.28	88.33
Whispering Hills	2,322	20.48	39.86	59.23
CENTRAL				
Aqua Illinois				
Vermilion	20,742	32.17	62.93	93.69
Illinois-American				
Champaign	51,510	27.96	52.26	76.56
Lincoln	5,768	24.17	47.41	70.65
Pekin	14,031	24.61	38.05	51.49
Peoria	52,262	28.60	52.93	77.27
Pontiac	4,283	31.82	56.15	80.49
SOUTHERN				
Illinois-American				
Alton	17,676	27.50	51.84	76.18
Cairo	1,094	33.73	58.07	82.41
Interurban	68,190	27.56	51.90	76.24



## FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS

Credit ratings are the single most comprehensive and widely accepted measure of the financial condition of a business enterprise. Several independent financial research firms provide rating services, which categorize corporate debt issues based on risk. All of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining credit ratings. In assigning ratings to a firm's debt, rating agencies consider both qualitative and quantitative factors. For a public utility, rating agencies review financial information, which can be separated into six categories: debt leverage, construction and asset concentration risks, earnings protection, financial flexibility and capital attraction, cash flow adequacy, and accounting quality. Non-financial rating criteria include service territory characteristics, fuel supply and generating capacity, operating efficiency, regulatory treatment, and management.

Standard and Poor's defines its highest issuer credit ratings as follows:

### AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

### AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

### A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

### BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

(Source: Standard & Poor's, RatingsDirect on the Global Credit Portal, August 20, 2010, pp. 3-4)

The following table shows the average nationwide electric utility industry credit rating, as well as the ratings for the three major electric utilities serving the State of Illinois. The majority of the operations of MidAmerican Energy Company are in other states.

**Standard and Poor's Electric Utility Credit Ratings  
November 2007 through November 15, 2011**

	2007	2008	2009	2010	2011
Electric Utility Industry Average	BBB	BBB	BBB	BBB	BBB
Ameren Illinois				BBB-	BBB-
AmerenCILCO	BB	BBB-	BBB-		
AmerenCIPS	BB	BBB-	BBB-		
AmerenIP	BB	BBB-	BBB-		
Commonwealth Edison	BB	BBB-	BBB	BBB	BBB
MidAmerican	A-	A-	A-	A-	A-

In October 2010, AmerenCILCO, AmerenCIPS and AmerenIP were merged into Ameren Illinois.

Like the electric utilities, natural gas distribution companies receive ratings on their debt, which reflect the individual company's financial condition. The table below presents credit ratings for the three major natural gas distribution utilities serving the State of Illinois and the average credit rating for the nationwide natural gas distribution industry.

**Standard and Poor's Gas Utility Credit Ratings  
November 2007 through November 15, 2011**

	2007	2008	2009	2010	2011
Gas Distribution Industry	A-	A-	A-	BBB+	BBB
Average					
Atmos Energy	BBB	BBB	BBB+	BBB+	BBB+
Nicor Gas	AA	AA	AA	AA	AA
North Shore	A-	A-	BBB+	BBB+	BBB+
Peoples Gas	A-	A-	BBB+	BBB+	BBB+

Currently, no Illinois water utilities have ratings assigned to their debt.



# **SECTION 3**

## **A Discussion of Energy Planning**



---

---

***(3) A Specific Discussion of the Energy Planning Responsibilities and Activities of the Commission and Energy Utilities Including:***

***(a) The extent to which conservation, cogeneration, renewable energy technologies and improvements in energy efficiency are being utilized by energy consumers, the extent to which additional potential exists for the economical utilization of such supplies, and a description of existing and proposed programs and policies designed to promote and encourage such utilization;***

***(b) A Description of each Energy Plan filed with the Commission pursuant to the Provisions of this Act and a copy or detailed summary of the most recent energy plans adopted by the Commission."***

---

---

## **INTEGRATED RESOURCE PLANNING**

Section 8-402 of the Public Utilities Act, which set forth the Commission's resource planning responsibilities, was repealed by P.A. 90-561, effective December 16, 1997. The Commission disbanded the Energy Programs Division immediately thereafter.

## **COGENERATION**

### **Commission Rule**

The rules, for the transfer of electric power between independent generating facilities and regulated electric utilities in Illinois, are established by 83 Ill. Adm. Code 430. All utilities operating in Illinois must abide by these rules except for cooperatives and municipal utilities, both of which are not regulated by the Commission.

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 lists the 2011 avoided costs as filed annually by Illinois electric utilities.

### **Special Rates**

Cogeneration/self generation displacement and deferral rates can be in the form of special contracts or designed as tariffs. In each case, the Commission's position has been to promote economic cogeneration or self generation, while avoiding uneconomic bypass of a utility's system. When the cogeneration or self generation discount rate brings a customer's individual rate closer to the utility's marginal cost of providing service, uneconomic bypass is less likely to occur.

**Table 3-1**  
**Illinois Electric Utilities**  
**Avoided Cost Rate Structure**  
**2011**

<u>Electric Utility</u>	<u>Summer Rates</u>	<u>Winter Rates</u>
AmerenIL		
On-Peak	4.865¢/kWh	3.975¢/kWh
Off-Peak	2.754¢/kWh	2.964¢/kWh
Commonwealth Edison		
On-Peak	4.112¢/kWh	3.680¢/kWh
Off-Peak	2.603¢/kWh	2.576¢/kWh
MidAmerican Energy		
On-Peak	2.260¢/kWh	1.780¢/kWh
Off-Peak	1.320¢/kWh	1.120¢/kWh
Mt. Carmel Public Utility		
On-Peak	5.010¢/kWh	5.010¢/kWh
Off-Peak	5.010¢/kWh	5.010¢/kWh

-----  
Source: Annual filings of Illinois electric utilities pursuant to 83 Ill. Adm. Code 430.110.

Please note: Time differentiated rate pricing is shown at transmission or subtransmission levels where possible; additional credits are available at lower voltages, loads, and times (except for Mt. Carmel). See each utility filing for exact avoided energy costs under specific conditions

# **SECTION 4**

**Availability of  
Utility Services to  
All Persons**





---

---

***(4) A discussion of the extent to which utility services are available to all Illinois citizens including:***

***(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.***

***(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.***

---

---

The information necessary to determine the number of persons lacking utility service within the state is difficult to obtain. Part of the difficulty is that all utility companies within the state track accounts by residence and not by customer name. Thus, a utility could determine if a particular residence was disconnected and therefore no longer receiving service, but the utility would have no way of knowing whether that household regained service under another name in its own service territory or perhaps under the same name in a different service territory. In addition, persons disconnected might also move in with an acquaintance already receiving service or they might acquire service supplied by an electric co-operative or municipality over which we have no jurisdiction. Further, if the intent of the question is to ascertain the number of persons without access to a source of heat, the existence of non-utility sources such as wood stoves and kerosene heaters would further complicate the answer, thus the myriad of possibilities makes a truly accurate figure very elusive.

Although the Commission has limited resources available to determine the number of persons within the state lacking some type of utility service, and granting the uncertainty in accuracy of such a statistic, an estimate may be obtained by analyzing the disconnection and reconnection data provided to the Commission by all utilities.

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 2010 through November 2011 are as follows.

The average heat related residential class customer base equaled 7,879,373 households. In this class, 308,656 accounts were disconnected and 210,142 were reconnected. This yields a 68.1 percent reconnection rate leaving 98,514 accounts not reconnected. The disconnected accounts represent 3.92 percent of the average residential customer base, while those accounts not reconnected represent a rate of 1.25 percent.

The Commission is aware of its obligations to minimize the dangers arising from unnecessary termination of gas and/or electric space heating service during the winter months. To minimize these dangers and be responsive to the needs of both Illinois consumers and the utilities that serve those consumers, the Commission has developed rules and regulations concerning the termination and reconnection of space heating service during the winter months. Many of these rules have since been enacted into law. In addition, the Commission has continued to refine its other rules regarding utility credit and collection activities to help Illinois utility consumers make timely payments on their obligations to utility companies and thus avoid termination of utility service. The following discussion is a synopsis of current regulations designed to promote and preserve the availability and affordability of residential utility services.

#### **Temperature-Based Termination**

If gas or electric service is the only source of space heating or if electricity is used to control the only space heating equipment such as an electric blower fan on a gas furnace, these services may not be disconnected on any day when the National Weather Service forecasts that the temperature for the next 24 hours will be 32 degrees or below, or on a day before a holiday or weekend when the weather is forecasted to be 32 degrees or below any time before the next business day.

If gas or electricity is used as the only source of space cooling or to control or operate the only space cooling equipment at a residence or master-metered apartment building, then a utility with over 100,000 residential customers may not terminate gas or electric utility service to the residential user, including all tenants of master-metered apartment buildings on a day when the

National Weather Service forecasts that the temperature for the next 24 hours will be 95 degree or above, or on a day before a holiday or weekend when the weather is forecasted to be 95 degrees or above any time during the holiday weekend.

#### **Disconnection of Military Personnel on Active Duty**

Utilities are prohibited from disconnecting gas and electric service to military personnel on active duty for non-payment.

### **Disconnection of Certain Customers During the Winter Heating Season**

#### **Customers Receiving LIHEAP funds**

During the winter heating season (December 1 through March 31) residential customers who receive Low Income Home Energy Assistance Program funds may not be disconnected if the services are used as the primary source of heating or to control or operate the primary source of heating.

#### **Certain Electric Space-Heating Customers**

During the winter heating season (December 1 through March 31) a public utility serving more than 100,000 electric customers may not be disconnect electric service to a residential space heating customer for non-payment.

#### **Preferred Payment Date**

Current residential customers who receive certain types of benefit checks out of cycle with their utility bills are allowed up to ten days subsequent to the customer's regular due date to make payment without penalty. This has benefited the low-income, elderly, and unemployed customers since they are able to avoid late payment charges and, in many cases, avoid paying a deposit to the utility.

#### **Deferred Payment Agreement**

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 2010-2011 and who were given a payment plan, 13.49 percent were allowed six months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

#### **Reconnection**

This rule provides that residential customers disconnected prior to the winter heating season and those customers disconnected during the winter heating season (December 1 through March 31) may be reconnected upon the payment of one third of the amount due to the company. If financial inability to pay this amount is shown, one-fifth of the amount owed may be paid. The customer then must enter into a payment plan to pay the balance of the outstanding amount owed to the utility. It should be noted that in many cases the amounts paid to have service restored are obtained through grants from community organizations or through the Low Income Home Energy Assistance Program (LIHEAP) administered by Department of Commerce and Economic Opportunity.

The reconnection rule further states that this provision is available between November 1 and April 1 of the current heating season; that reconnection under this provision cannot be used in two consecutive years; that the former customer must have paid at least one third of the amount billed subsequent to December 1 of the prior year; and that the program is not available if any evidence of tampering with the meter is discovered.

As required in the "winter reconnection" rule, on or about October 1, 2010, letters were sent to 58,940 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 19,526 former customers requested that their service be reconnected. Of these, 7,712 customers were reconnected upon payment of the total bill and 8,588 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 3,226 customers were denied. The reasons for denial are categorized as follows:

- 4 former customers failed to make a required down payment;
- 27 former customers failed to pay one-third of the amounts billed since December 1, 2009;
- 3,195 former customers had been reconnected under this rule last year; and
- 0 former customers resided where equipment tampering or diverted utility service was detected.

The above information indicates that 39,414 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

### **Financial Assistance**

ICC-regulated utilities participate in the Low Income Home Energy Assistance Program (LIHEAP) administered by the Department of Commerce and Economic Opportunity (DCEO). LIHEAP provides a one-time grant to eligible low-income customers.

Public Act 96-0033 added Section 8-105 to the PUA. Under this section gas and electric utilities including AmerenCILCO, AmerenCIPS, AmerenIP, ComED, North Shore Gas, Nicor Gas, and Peoples Gas offered bill payment assistance programs including a percentage of income payment plan to customers in need through December 31, 2011.

The Percentage of Income Payment Plan (PIPP) was implemented effective September 2011 and became available for LIHEAP eligible households who are customers of one of the following utilities: Ameren Illinois, ComEd, Nicor Gas and Peoples Gas/North Shore Gas. Under PIPP, a customer pays a percentage of income, receives a monthly benefit towards his or her utility bill and, arrearage reduction for every on-time payment the customer makes. DCEO administers this program.

---

---

***(4-c) an analysis of the financial impact on utilities and other ratepayers of the inability of some customers or potential customers to afford utility service, including the number of service disconnections and reconnections, and cost thereof and the dollar amount of uncollectible accounts recovered through rates.***

---

---

### **The Financial Impact of Uncollectible Expenses**

Uncollectible expense for utilities represents revenue billed but not received for services rendered. Efforts are made to recover such revenue, but, after a certain period of time and effort, unpaid amounts are charged as an expense and recovered in the regular rates charged to all customers.

Public Act 96-0033 (SB 1918), signed into law on July 10, 2009, added Sections 16-111.8 (concerning electric utilities) and 19-145 (concerning gas utilities) to the PUA. These sections provide that an electric or gas utility shall be permitted to recover through an automatic adjustment clause the incremental difference between its actual uncollectible amount and the uncollectible amount included in rates. These sections also provide for the collection of the difference between the actual 2008 and 2009 uncollectible expense set forth in Account 904 (of an electric utility's FERC Form 1 or of a gas utility's Form 21 ILCC) and the actual uncollectible amount included in rates for 2008 and 2009. AmerenCILCO, AmerenCIPS, AmerenIP, ComEd, Peoples Gas, North Shore Gas, and Nicor Gas have filed tariffs with the Commission to enact the uncollectibles automatic adjustment clauses.

The level of uncollectible expense is not perceived as a significant problem for the Commission-regulated water and sewer utilities. Therefore, no effort has been made to analyze in detail the explicit data for water and sewer utilities.

The uncollectible expenses discussed below for electric and gas utilities are based upon amounts reported to the Commission in each utility's annual report to the Commission. The amounts of uncollectible expenses reported by the utilities include accounting accruals for the uncollectible reserves to represent the projected level of anticipated uncollectible expenses for the year; these amounts differ from the actual write-offs of accounts receivable that occurred during the year.

### **Electric Utilities**

Total 2009 Uncollectible Expense for Illinois electric utilities was \$98,294,528 compared to \$98,399,107 in 2008. These amounts represent 1.35 percent of total Revenue from Sales to Ultimate Customers<sup>11</sup> in 2009 and 1.26 percent of total Revenue from Sales to Ultimate Customers in 2008. ComEd had the largest amounts of Uncollectible Expense with \$84,531,413 in 2009 and \$70,572,397 in 2008; these amounts represented 1.62 percent of its 2009 Revenue from Sales to Ultimate Customers and 1.27 percent of its 2008 Revenue from Sales to Ultimate Customers. The Commission's "Comparison of Electric Sales Statistics for Calendar Years 2009 and 2008" provides a detailed presentation of Uncollectible Accounts and Forfeited Discounts on Table 27; this Comparison can be found on the Commission's web site at <http://www.icc.illinois.gov/publicutility/salesstatistics.aspx?t=e>.

#### **Gas Utilities**

Total 2009 Uncollectible Expense for Illinois gas utilities was \$106,605,593 compared to \$141,452,242 in 2008. These amounts represent 2.64 percent of total Revenue from Sales to Ultimate Customers<sup>12</sup> in 2009 and 2.38 percent of total Revenue from Sales to Ultimate Customers in 2008. Nicor Gas had the largest amounts of Uncollectible Expense with \$53,167,000 in 2009 and \$70,368,000 in 2008; these amounts represented 3.01 percent of its 2009 Revenue from Sales to Ultimate Customers and 2.53 percent of its 2008 Revenue from Sales to Ultimate Customers. The Commission's "Comparison of Gas Sales Statistics for Calendar Years 2009 and 2008" provides a detailed presentation of Uncollectible Accounts and Forfeited Discounts on Table 15; this Comparison can be found on the Commission's web site at <http://www.icc.illinois.gov/publicutility/salesstatistics.aspx?t=g>.

### **CONSUMER EDUCATION ACTIVITIES**

#### **Electric Customer Choice—"Plug In Illinois"**

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state's electric utility industry. Section 16-117 of the Public Utilities Act requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights, and responsibilities.

The ICC Plug In Illinois website is updated as information changes and contains an overview of customer choice, guidelines for choosing an electric supplier and a list of alternative suppliers certified by the Commission, and price comparison of supplier offers.

#### **Natural Gas Choice**

In some parts of Illinois, natural gas utilities voluntarily offer their residential and small retail commercial customers the opportunity to choose their supplier of natural gas. Alternative Gas Suppliers offering service to these customers must be certified by the ICC. In accordance with Section 19-125 of the Public Utilities Act, the Commission website includes consumer education information to help residential and small commercial customers understand their gas supply options and their rights and responsibilities. The educational information includes choices available, guidance for selecting an alternative gas supplier, comparisons of the prices and terms of products offered by alternative suppliers and procedures for consumers to address complaints.

---

<sup>11</sup> Electric Revenue from Sales to Ultimate Customers includes revenues resulting from residential sales, small (or commercial) sales, large (or industrial) sales, public street and highway lighting, other sales to public authorities, and sales to railroads. Electric utility revenues from sales for resale, interdepartmental sales, provisions for rate refunds, and other electric operating revenues are not included in Revenue from Sales to Ultimate Customers.

<sup>12</sup> Gas Revenue from Sales to Ultimate Customers includes revenues resulting from residential sales, small (or commercial) sales, large (or industrial) sales, and other sales to public authorities. Gas revenues from sales for resale, interdepartmental sales, and other gas operating revenues are not included in Revenue from Sales to Ultimate Customers.

# **SECTION 5**

**Implementation of  
The Commission's  
Statutory  
Responsibilities**



---

---

*(5) A detailed description of the means by which the Commission is implementing its new statutory responsibilities under this Act, and the status of such implementation, including specifically:*

*(5-a) Commission reorganization resulting from the addition of an Executive Director and hearing examiner qualifications and review.*

---

---

## **COMMISSION REORGANIZATION**

During 2011, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports.

---

---

*(5-b) Commission responsibilities for construction and rate supervision, including construction cost audits, management audits, excess capacity adjustment, phase-ins of new plant and the means and capability for monitoring and reevaluating existing or future construction projects.*

---

---

## **CONSTRUCTION AUDITS**

### **Statutory Requirements**

Section 8-407(b) and 9-213 of the 1986 Public Utilities Act grants the Commission the authority to conduct construction audits. Pursuant to Section 8-407(b), the Commission, after granting a certificate of public convenience and necessity for the construction of a new electric generating facility, is granted the authority to perform construction cost audits at any time during construction whenever the Commission has cause to believe that such an audit is necessary or beneficial to the efficiency or economy of construction.

Section 9-213 requires the Commission to perform an audit of the cost of new electric utility generating plants and significant additions to electric utility generating plants to determine if the cost is reasonable prior to including such construction costs in rate base.

Section 8-407 (b) and 9-213 both grant the Commission the authority to engage independent consultants to perform these audits. If an independent consultant performs a construction audit, the cost will be borne initially by the utility, but shall be recoverable as an expense through normal ratemaking procedures.

### **Commission Responsibilities**

In order to comply with the Public Utilities Act, the Commission must monitor the major construction activities of all electric utilities within the state to assure that such construction is efficient and economical. The Commission is also required (Sec. 8-407(a)) to reevaluate the propriety and necessity at least every two years of each certificate of necessity issued for the construction of a new electric generating facility. In order to comply with the above responsibilities, the Commission has the authority to conduct construction cost audits.

### **Section 8-407 (b) Activities**

No activities were required during 2011.

### **Section 9-213 Activities**

No activities were required during 2011.



## **MANAGEMENT AUDITS**

### **Statutory Requirements**

The Commission has authority under Section 8-102 of the Public Utilities Act to conduct management audits of public utilities. The Commission may choose to conduct the audits with its own staff or it may contract with independent consultants to perform the management audits. Prior to initiating an audit of a utility, the Commission must determine that reasonable grounds exist to believe an audit is necessary or cost-beneficial.

The statute allows for the costs associated with the use of independent consultants to be borne by the utilities with recovery provided through the normal ratemaking process.

### **Commission Responsibilities**

Prior to initiating a management audit or investigation of a utility, the Commission must have "reasonable grounds to believe that such audit or investigation is necessary to assure that the utility is providing adequate, efficient, reliable, safe, and least-cost service and charging only just and reasonable rates therefore, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefore." The Commission shall "issue an order describing the grounds for such audit or investigation and the appropriate scope and nature of such audit or investigation."

On May 5, 2010, the Commission entered an Amendatory Order in Docket No. 09-0319, a proceeding involving Illinois-American Water Company's ("IAWC") proposed general increase in water and sewer rates, in which the Commission ordered that a management audit ("Audit") be performed to compare the cost of each service obtained from the Service Company to the costs of such services had the services been obtained through competitive bidding on the open market. The matter has been docketed as Docket No. 10-0366. A request for proposal ("RFP") was issued September 17, 2010 but no qualified bids were received. The RFP was reissued November 19, 2010 for bids to be received December 23, 2010. Northstar was selected and is in the process of conducting the management audit. Staff is scheduled to file the final management audit report with the Commission on January 11, 2012.

## **EXCESS CAPACITY, USED, AND USEFUL**

Section 9-215 of the Public Utilities Act gives the Commission the "power to consider, on a case by case basis, the status of a utility's capacity and to determine whether or not such utility's capacity is in excess of that reasonably necessary to provide adequate and reliable electric service". The Commission is also authorized to make adjustments to rates if a finding of excess capacity is made. This section conditions this authority for generating units whose construction programs started prior to the effective date of the current Act, January 1, 1986. That is, for generating units whose construction started prior to the effective date of the current Act, the Act requires that a determination of excess capacity or utility plant used and useful will be made from that which is appropriate under prior law.

No activities were required during 2010.

## **RATE MODERATION PLAN**

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan that would lessen rate impacts associated with new power plants coming into service. During 2011, no new power plants were placed in service in Illinois that fall under the Commission's jurisdiction. As a result, the Commission did not use its authority to adopt a rate moderation plan.

## **COST-BASED RATES**

The Public Utilities Act considers cost-based rates an important component of equity for ratepayers. Specifically, the Act states that the cost of supplying public utility services should be allocated to those who cause the costs to be incurred [Section 1-102(d)(iii)]. The need to base rates on costs has increased as the utility environment becomes more competitive. A close relationship between rates and costs will discourage uneconomic bypass of the utility system by ratepayers. Uneconomic bypass is costly to the utility, ratepayers, and society as a whole.

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases conducted over the years 2002-2011. However, new cost-based rates that became effective on January 2, 2007, for ComEd and Ameren impacted residential customers, especially residential electric space heat customers, to such an extent that the Commission opened two proceedings for the purpose of adopting redesigned rates that were not based solely on cost but were rather based on a more even distribution of percentage increases for each of the customer classes, so that the burden to the residential electric space heat customers was significantly lessened.

A total of 27 gas rate cases and 14 electric rate cases were filed during this period. Additionally, with the passage of the Electric Service Customer Choice and Rate Relief Law of 1997, nine electric utilities filed cases for delivery services implementation and for residential delivery services implementation and eight electric utilities filed cases for metering services unbundling. The gas cases were filed by MidAmerican Energy Company ("MEC"), Central Illinois Light Company ("AmerenCILCO"), Northern Illinois Gas Company ("Nicor Gas"), Peoples Gas Light and Coke Co. (Peoples Gas"), North Shore Gas Company ("North Shore"), Mt. Carmel Public Utility Co. ("Mt. Carmel"), Illinois Gas Company ("IGC"), Central Illinois Public Service Company ("AmerenCIPS"), Union Electric Company ("AmerenUE"), South Beloit Water Gas and Electric Company ("SBWGE"), Consumers Gas Company, and Illinois Power Company ("AmerenIP"). The electric rate cases were filed by Mt. Carmel, ComEd, AmerenCILCO, AmerenCIPS, and AmerenIP. The electric delivery service cases were filed by ComEd, AmerenIP, AmerenCIPS, AmerenUE, Mt. Carmel, MEC, AmerenCILCO, SBWGE, and Interstate Power and Light Company ("IPC"). Additionally, except for Mt. Carmel, the same electric Companies filed for unbundling of delivery services.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2002. Neither utility was required to reduce its residential rates. The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5 percent on October 1, 2001. The Act also mandated that Illinois Power reduce its bundled residential rates by 5 percent on May 1, 2002, and that CILCO reduce its bundled residential rates by 1 percent on October 1, 2002. All rate reductions mandated by the Public Utilities Act have been implemented.

#### **Commission Actions to More Fully Implement Cost-Based Rates: Gas**

In the MidAmerican case (Docket No. 01-0696), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered and an Order was approved in September 2002.

In the AmerenCILCO case (Docket No. 02-0837), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in October 2003.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 03-0008 and 03-0009), the Companies performed cost of service studies and based the proposed rates on cost of service. Commission Staff reviewed those studies and presented testimony. The Commission entered an Order in October 2003.

In the South Beloit Water Gas and Electric Company case (Docket No. 03-0676), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in October 2004.

In the Illinois Gas Company case (Docket No. 04-0475), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in May 2005.

In the AmerenIP gas case (Docket No. 04-0476), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in May 2005.

In the Consumers Gas Company case (Docket No. 04-0609), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in June 2005.

In the Nicor Gas Company case (Docket No. 04-0779), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in September 2005.

In the Peoples Gas Company and North Shore Gas Company rate cases (Docket Nos. 07-0241 & 07-0242), the Companies performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the studies and presented testimony. The Commission entered an Order in February 2008.

In the Mt. Carmel Public Utility Co. gas rate case (Docket No. 07-0357), the Company performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the study and presented testimony. The Commission entered an Order in March 2008.

In the Ameren Illinois gas rate cases for each of its three Illinois Utilities (Docket Nos. 07-0588, 07-0589, & 07-0590), the Companies performed cost of service studies, but based their proposed rates on an across-the-board equal percentage change. Commission Staff reviewed the studies and the proposed across-the-board changes and presented testimony. The Commission entered an Order in September 2008.

In the Nicor Gas Company gas rate case (Docket No. 08-0363), the Company performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the studies and presented testimony. The Commission entered an Order in March 2009.

In the Illinois Gas Company gas rate case (Docket No. 08-0482), the Company performed cost of service studies and based proposed rates on cost of service. Commission Staff reviewed the studies and presented testimony. The Commission entered an Order in May 2009.

In February 2009, Peoples Gas Company and North Shore Gas Company filed rate cases (Docket Nos. 09-0166 and 09-0167). These proposed tariffs were suspended by the Commission. The Commission entered an Order in January 2010.

In June 2009, AmerenCILCO, AmerenCIPS & AmerenIP filed gas rate cases (Docket Nos. 09-0309, 09-0310 & 09-0311). These proposed tariffs were suspended by the Commission. The Commission entered an Order in May 2010.

In June 2009, MidAmerican Energy Company filed a gas rate case (Docket No. 09-0312). These proposed tariffs were suspended by the Commission. The Commission entered an Order in March 2010.

In March 2010, Consumers Gas Company filed a gas rate case (Docket No. 10-0276). These proposed tariffs were suspended by the Commission. An Order for these proceedings was approved in October 2010.

In February 2011, North Shore Gas Company and Peoples Gas Company filed rate cases (Docket Nos. 11-0280 & 11-0281). These proposed tariffs were suspended by the Commission. An Order for these proceedings will be approved in January 2012.

In February 2011, Ameren filed a rate case (Docket No. 11-0282). These proposed tariffs were suspended by the Commission. An Order for this proceeding will be approved in January 2012.

#### **Commission Actions to More Fully Implement Cost-Based Rates: Electricity**

The initial delivery services tariff cases to establish non-residential rates for delivery services involved all nine electric utilities:

AmerenCIPS and AmerenUE (Docket No. 99-0121)

MidAmerican Energy Company (Docket Nos. 99-0122 & 99-0130)

CILCO (Docket Nos. 99-0119 and 99-0131, Consolidated)

ComEd (Docket No. 99-0117)

IP (Docket Nos. 99-0120, 99-0134, and 99-0140, Consolidated)

IPC and SBWGE (Docket Nos. 99-0124, 99-0125, 99-0132, and 00-0133, Consolidated)

Mt. Carmel (Docket No. 99-0116)

Each delivery service proceeding consisted of reviewing a test year revenue requirement, which included transmission, distribution, and generation components, and of separating these components out for cost of service purposes. The generation component will be market based, while the transmission component will be regulated by FERC. The goal of delivery services is to have cost-based delivery service rates, which represent the distribution portion of the electric system. The Commission approved cost-based rates for each utility. Approval of cost-based rates helps facilitate the next stage of deregulation, which is unbundling. Competition for unbundled services will largely depend on cost-based delivery service rates.

In the unbundling case (Docket No. 99-0013), all utilities, except Mt. Carmel, filed tariffs for the unbundling of metering services. Staff reviewed those filings, and the Commission Order was issued on October 4, 2000, and became effective on January 1, 2001. Cost-based rates for unbundled delivery services will be a prime factor in initiating competition in Illinois.

In 1997, all electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing. The appropriate filings were made and the rates became effective on October 1, 2000.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2000. The comparison indicated that AmerenCIPS and AmerenUE were not required to reduce their bundled residential rates on that date.

As required by the Public Utilities Act, CILCO reduced its bundled residential rates by 2 percent on October 1, 2000.

The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5 percent on October 1, 2001.

The Act also mandated that Illinois Power reduce its bundled residential rates by 5 percent on May 1, 2002.

Delivery services tariffs for all residential customers became effective on May 1, 2002. As part of their plans for delivery services, AmerenCIPS and AmerenUE filed new residential delivery services tariffs and filed updated non-residential delivery services tariffs in December 2000. The other seven utilities filed their proposed rates in 2001. All of the proceedings, except ComEd's, were completed to establish delivery services rates for their residential classes, as well as new non-residential delivery services rates. Commonwealth Edison's proceeding was completed in 2003.

In early 2005, ComEd and Ameren filed tariffs to establish a rate structure for the supply of electricity to bundled residential and non-residential customers to be effective on January 2, 2007. Commission Orders for those proceedings were approved in January 2006.

In August 2005, ComEd filed a rate case (Docket No. 05-0597) for delivery services tariffs to be effective at the end of the mandatory transition period, which ends on January 2, 2007. These new rates take the place of the existing bundled service rates. An Order was approved in July 2006 and became effective on January 2, 2007.

In February 2006, Ameren filed a rate case for each of its three Illinois utilities (Docket Nos. 06-0070, 06-0071, & 06-0072) for delivery services tariffs to be effective at the end of the mandatory transition period, which ended on January 2, 2007. These new rates take the place of the existing bundled service rates. An Order for these proceedings was approved in November 2006 and became effective on January 2, 2007.

In May 2007, Mt. Carmel filed a general rate case (Docket No. 07-0357) for its delivery services tariffs. These proposed tariffs were suspended by the Commission. An Order for this proceeding was approved in March 2008 and tariffs became effective on March 24, 2008.

In October 2007, ComEd filed a delivery services rate case (Docket No. 07-0566) for delivery services tariffs. These proposed tariffs were suspended by the Commission. An Order for this proceeding was approved in September 2008 and tariffs became effective on September 16, 2008.

In November 2007, Ameren Illinois filed an electric delivery services rate case for each of its three Illinois Utilities (Docket Nos. 07-0585, 07-0586, & 07-0587). These proposed tariffs were suspended by the Commission. An Order for these proceedings was approved in September 2008 and tariffs became effective on October 1, 2008.

In June 2009, Ameren Illinois Utilities filed an electric delivery services rate case for each of its three Illinois utilities (Docket Nos. 09-0306, 09-0307 and 09-0308). These proposed tariffs were suspended by the Commission. An Order for these proceedings was approved in May 2010.

In June 2010, ComEd filed a delivery services rate case (Docket No. 10-0467) for delivery services tariffs. These proposed tariffs were suspended by the Commission. An Order for this proceeding was approved no later in May 2011.

In February 2011, Ameren filed a rate case (Docket No. 11-0279). These proposed tariffs were suspended by the Commission. An Order for this proceeding is scheduled to be issued in January 2012. However, Ameren has filed a motion to withdraw this filing in anticipation of a formula rate tariff that it plans to file pursuant to Public Act 97-0616.

In November 2011, ComEd, pursuant to Public Act 97-0616, filed a formula rate tariff (Docket No. 11-0721) for its distribution delivery services. The Commission has until May 31, 2012, to approve an order.

## **MERGERS**

On October 8, 2010, Peoples Gas and North Shore Gas Company filed a petition requesting Commission approval of a 7-204 reorganization under which Peoples Energy Corporation, the parent company of North Shore and Peoples Gas and currently an Illinois corporation, converts to a Delaware limited liability company. The matter was docketed as Docket No. 10-0588. An order was entered February 9, 2011 and the reorganization became effective February 29, 2011.

On January 27, 2011, Mail Holdings, Inc. ("MHI") and Gridley Telephone Co. ("GTC") filed with the Commission a verified Joint Application for approval for a pro forma transaction that had already occurred, through which Gridley Enterprises, Inc. ("GEI"), owner of 100% of the capital stock of GTC was merged into MHI, the owner of 100% of GEI, with the result that 100% of the voting capital stock of GTC was transferred from GEI to MHI, and GEI, an intermediate holding company, was dropped out of the chain of ownership. Although the transaction had no effect on the control or ultimate ownership of GTC, Joint Applicants inadvertently failed to get prior approval from this Commission. The Commission Staff and the Joint Applicants entered a Stipulation. The Commission approved the transaction with conditions on May 4, 2011.

On March 4, 2011, Rockwell Utilities, LLC filed a petition for approval of the sale of 100 percent of the membership interest in the Company to Rockwell Investments, an Alaska limited liability company. The matter was docketed as Docket No. 11-0212. The Commission approved the transaction on August 23, 2011.

On January 18, 2011, Northern Illinois Gas Company filed an application to merge with and into a subsidiary of AGL Resources, Inc. The matter was docketed as Docket No. 11-0046. A draft order approving the merger with conditions is being considered by the Commission.

On August 1, 2011, Atmos Energy Corporation filed a petition for approval for the purchase by Liberty Energy Midstates of Atmos' Illinois natural gas utility operations. The matter was docketed as Docket No. 11-0559. Staff testimony is scheduled to be filed November 17, 2011.

## **ASSET TRANSFERS OR SALES**

On March 2, 2009, AmerenCILCO filed for approval of the Company's assignment to Ameren Energy Marketing Company of its interest in a service agreement between Caterpillar, Inc., and Central Illinois Light Company dated December 29, 1999, as amended on February 15, 2001, and a related agreement, a Tolling Agreement, entered into between AmerenCILCO and AmerenEnergy Medina Valley Cogen, LLC, dated December 22, 2000. The matter was docketed as Docket No. 09-0131. The Commission approved the transaction on December 15, 2010.

On November 13, 2009, Illinois Bell Telephone filed for approval to sell certain real estate located at 1651 Ritchfield Road in Highland Park for \$1,650,000.00. The property, which includes a brick building with 21,732 square feet and 1.73 acres of land,

had been used as a garage for installation and repair trucks and as an office facility for AT&T Illinois service personnel. Highland Drifter LLC purchased the property. The Commission held an evidentiary hearing in Docket No. 09-0551 on this matter on December 17, 2009. The Commission entered its order approving the transaction on January 21, 2010. A corrected order was entered March 17, 2010. On September 16, 2011, the Company filed the journal entries reflecting the final accounting for the transaction.

## **INFORMATIONAL FILINGS**

During 2011, the following notices were filed with the Commission.

On December 22, 2008, AmerenCILCO filed a Notice of Transfer notifying the Commission, under Section 16-111(g), of its intent to transfer and assign its interest in the Service Agreement between it and Caterpillar, Inc. Staff informed AmerenCILCO that the applicable sections of the Public Utilities Act were Section 7-101, Transactions with affiliated interests, and/or Section 7-102, Transactions requiring Commission approval. Accordingly, issues surrounding the contract assignments related to this transaction are being addressed in Docket Nos. 08-0865 and 09-0131. The Commission entered an order approving the transactions December 15, 2010.

On November 5, 2009, ComEd filed a Notice that it has entered into an agreement, subject to regulatory approval, to assign certain credits against amounts owed for transmission services, in accordance with Section 16-111(g). Specifically, ComEd intends to sell to Ameren Services Company ("AMS"), for and on behalf of the Ameren entities, up to \$20 million of ComEd's rights to the Paragraph 4.8 Credits received by ComEd when ComEd exited the Midwest ISO ("MISO"), as documented in terms of the Settlement Agreement between Exelon and other parties on March 20, 2001, and approved by FERC. According to terms of the proposed agreement, ComEd could sell, and Ameren could purchase, up to \$20 million of the credits from ComEd for 75 cents on the dollar. On November 3, 2009, ComEd filed a Rate Schedule pursuant to Section 205 of the Federal Power Act ("FPA") to effectuate the assignment of these Section 4.8 credits to AMS. Contemporaneous with the Section 205 Application, ComEd submitted a Petition for Declaratory Order requesting in the alternative, if the Section 205 Application is rejected, that the Commission direct MISO to recognize the assignment. These filings at the FERC were docketed as Docket Nos. EL10-12-000 and ER10-209-000. On November 30, 2010 ComEd and Ameren made a joint filing for a Summary Disposition. FERC did not grant approval for the transaction. On April 21, 2011, FERC issued an order

- 1) Accepting ComEd's February 22, 2011 notice of termination of the rate schedule effectuating the assignment of transmission credits to the Ameren Companies;
- 2) Granting the motion of ComEd and Ameren to withdraw pleadings, and
- 3) Denying the motion of ComEd and Ameren to vacate the Initial Decision issued by the FERC on January 20, 2011.

## **DECOMMISSIONING**

During 2011, no Illinois electric utility billed its customers any charges for decommissioning. The last billing of decommissioning charges by any Illinois electric utility ceased on December 31, 2006.

---

---

***(5-c) Promulgation and application of rules concerning ex parte communications, circulation of recommended orders and transcription of closed meetings.***

---

---

The Commission's rules concerning ex parte communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 2010 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of the Public Utilities Act.



# **SECTION 6**

**Appeals from  
Commission  
Orders**





---

---

**(6) A description of all appeals taken from Commission orders, findings or decisions and the status and outcome of such appeals.**

---

---

This section includes only appeals either filed in 2011 or upon which a judicial decision was received in 2011. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or *amicus*. However, federal cases taken under 47 USC 252(e)(6) are included.

**APPEALS INVOLVING PUBLIC UTILITIES FILED IN 2011**

**A. Under the Public Utilities Act, 220 ILCS 5**

1. *Air Products & Chemical Company, et al. (IIEC) v. Illinois Commerce Commission, et al.*,  
Illinois Appellate Court No. 4-11-0075,  
Ill.C.C. Docket Nos. 09-0306, 09-0307, 09-0308, 09-0309, 09-0310 & 09-0311 (cons.).

Appeal from grant or denial of general increase of electric and natural gas delivery rates for Ameren Illinois Co. d/b/a Ameren Illinois (successor to AmerenCIPS, AmerenCILCO and AmerenIP), pursuant to Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

Status: This second appeal by IIEC was taken from the denial of IIEC's application for rehearing of the Order on Rehearing. Over the Commission's objection, which was taken with the case, the appeal was consolidated with the earlier appeals of Ameren Illinois Co. and IIEC (Illinois Appellate Court Nos. 4-10-0962 and 4-10-0976). Oral argument on all three appeals was held on Dec. 7, 2011, and the appeals are awaiting decision.

2. *Commonwealth Edison Co. v. Illinois Commerce Commission, et al.*,  
Illinois Appellate Court No. 1-11-2259,  
Ill.C.C. Docket No. 10-0527.

Appeal from grant or denial of an Alternative Rate Regulation Plan, pursuant to Section 9-244 of the Public Utilities Act, 220 ILCS 5/9-244.

Status: Appeal is pending the completion of briefing.

3. *Dominion Retail, Inc., et al., v. Illinois Commerce Commission, et al.*,  
Illinois Appellate Court Nos. 1-11-0603, 1-11- 2715 & 1-11-2716 (cons.),  
Ill.C.C. Docket No. 10-0138.

Appeals from grant or denial of Commonwealth Edison Co.'s proposal to establish Rider PORCB (Purchase of Receivables with Consolidated Billing) and to revise other related tariffs, pursuant to Sections 9-201 and 16-118(c) of the Public Utilities Act, 220 ILCS 5/9-201 and 16-118(c).

Status: Appeals are pending the completion of briefing.

4. *Frances Kreutzer, et al., v. Illinois Commerce Commission, et al.*,  
Illinois Appellate Court Docket No. 2-11-0619,  
Ill.C.C. Docket No. 07-0310.

Appeal from the grant or denial of certificate of public convenience and necessity under Section 8-406 of the Public Utilities Act, 220 ILCS 5/8-406, and the direction to construct, operate, and maintain a new transmission line in Kane and McHenry Counties, Illinois, including, when necessary, the taking of property by eminent domain under Sections 8-503 and 8-509 of the Public Utilities Act, 220 ILCS 5/8-503 and 8-509.

Status: On September 16, 2010, the Illinois Appellate Court reversed the original Commission decision and remanded the case for further proceedings. The instant case is an appeal from the Order on Remand of April 15, 2011. Appeal is pending the completion of briefing.

5. *Coalition to Request Equitable Allocation of Costs Together ( REACT), et al., v. Illinois Commerce Commission, et al.*, Illinois Appellate Court Docket Nos. 1-11-1781, 1-11-1874, 1-11-2200, 1-11-2287, 1-11-2260 & 1-11-2274 (cons.) Ill.C.C. Docket No. 10-0467.

Appeals from grant or denial of electric rate changes for Commonwealth Edison Co. under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

Status: A combined briefing schedule has been entered, and the appeals are pending the completion of briefing.

**B. Under Other Utility-Related Acts**

None

**II. APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS INVOLVING PUBLIC UTILITIES OR TELECOMMUNICATIONS CARRIERS DECIDED IN 2011**

**A. Cases dismissed without decision on the merits and with no further action expected**

**1. Under the Public Utilities Act, 220 ILCS 5**

None

**2. Under Other Utility-Related Acts**

None

**B. Cases under the Public Utilities Act in which decisions were rendered in 2010 but were pending Rehearing or Applications for Leave to Appeal to the Illinois Supreme Court at the time of the annual report**

1. *Commonwealth Edison Co, et al., v. Illinois Commerce Commission, et al.*, Supreme Court Docket Nos. 111548 and 111642, Illinois Appellate Court Docket Nos. 2-08-0859, 2-08-1037, 2-08-1137, 1-08-3008, 1-08-3030, 1-08-3054 and 1-08-3313 (cons.), related to Supreme Court Docket Nos. 107693 and 107694, Ill.C.C. Docket No. 07-0566.

Appeal from grant or denial of electric rate changes for Commonwealth Edison Co. under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

On September 30, 2010, the Illinois Appellate Court affirmed in part and reversed in part the underlying Commission rate order.

Commonwealth Edison Company ("ComEd") challenged the denial of recovery in rates of the full salary and wages of certain employees. [ComEd chose not to pursue other issues rendered moot by a September 17, 2009, Opinion of the Illinois Appellate Court for the Second District which had affirmed that earlier Commission order. See *Commonwealth*

*Edison Co., et al. v. Illinois Commerce Commission, et al.*, 398 Ill. App. 3d 510 (2<sup>nd</sup> Dist., 2009).] In the Order under review in this case, the Commission had found that these employees had worked on both recoverable utility matters and nonrecoverable holding company matters in the test year. To account for this, the Commission denied recovery of one-quarter of the labor costs of these employees. The Appellate Court sustained the Commission's reduction against ComEd's challenges of insufficient findings and lack of support by substantial evidence.

The Illinois Industrial Energy Consumers ("IIEC"), the People of the State of Illinois ("the People") and the Citizens Utility Board ("CUB") had sought that additional accumulated depreciation be added to the rate base because ComEd had been granted certain *pro forma* adjustments to that rate base. The *pro forma* adjustments allowed rate recovery of known and measurable additional plant investment reasonably certain to occur within 12 months of the effective date of the new tariffs. IIEC and other intervenors argued that additional accumulated depreciation, that is to say, the depreciation of the rest of ComEd's test year rate base, should be included to the last date of the recognized *pro forma* adjustment. The Appellate Court held that the addition of such accumulated depreciation is required by Section 9-211 of the Public Utilities Act, 220 ILCS 5/9-211. The Court also held that the failure to include the 21 months of additional accumulated depreciation violated test-year principles and that the Commission is not bound to its prior inconsistent decisions. Finally, ComEd as a counter argument noted that it voluntarily withdrew its third-quarter plant additions as *pro forma* capital adjustments and claimed that it would be unfair to reverse the Commission on the additional accumulated depreciation issue without allowing ComEd to seek these other *pro forma* capital adjustments. The Court agreed with ComEd and remanded ComEd's issue without opinion as to whether these additional *pro forma* adjustments should be included.

The People and CUB also challenged the establishment of Rider SMP, which sought to recover the costs of a "system modernization project" in order to provide "smart grid" technology. As approved, the smart grid technology was to be deployed in a select few suburbs and neighborhoods of Chicago to determine the public benefit of such technology. The People and CUB argued that Rider SMP violated single-issue ratemaking, retroactive ratemaking, and test-year principles, and was not shown to be necessary. The Appellate Court held that Rider SMP was not supported by substantial evidence and violated single-issue ratemaking because the expenses of the "smart grid" program should be recovered through normal rate-making procedures. The Appellate Court developed a test that will allow riders only if (1) the cost is imposed upon the utility by external circumstances over which the utility has no control and (2) the cost does not affect the utility's revenue requirement.

The Building Owners and Managers Association of Chicago ("BOMA") had challenged the elimination of Rider 25 in an earlier appeal but the Commission was sustained. *Commonwealth Edison Co., et al. v. Illinois Commerce Commission, et al.*, 398 Ill. App. 3d 510 (2<sup>nd</sup> Dist., 2009). In this cause BOMA sought to reestablish Rider 25 or, at least, to establish different rate classes for nonresidential customers, based upon high (assumed electric space-heating) and low (not space-heating) electric usage. The Court rejected BOMA's various claims that (1) there was insufficient evidence to support the Commission's rejection of Rider 25; (2) it was discriminatory not to create different rate classes for high (space-heating) and low nonresidential customers; (3) the nonresidential electric rates are not cost-justified; and (4) the nonresidential space-heating customers improperly subsidize nonresidential low-usage customers.

ComEd had filed for rehearing but was denied on November 16, 2010. On December 10, 2010, the Commission had sought a partial stay of the September 30<sup>th</sup> Opinion but was denied on January 25, 2011. The Commission filed its Petition for Leave to Appeal on December 21, 2010. ComEd filed its Petition for Leave to Appeal on January 25, 2011. On March 30, 2011, the Illinois Supreme Court denied both Petitions for Leave to Appeal.

Cause was remanded back to the Commission for further proceedings consistent with the Appellate Court's Opinion on May 13, 2011.

2. *Clinton A. Krislov v. Illinois Commerce Commission, et al.*,  
Supreme Court Docket No. 111829  
Illinois Appellate Court Docket No. 1-10-0546,  
Ill.C.C. Docket No. 09-0384.

Appeal from rulemaking (amendment of 83 Ill. Adm. Code 735).

On December 30, 2010, in a Rule 23 Order, the Illinois Appellate Court for the First District affirmed the Commission in an appeal from Docket No. 09-0384, which involved the amendment of 83 Ill. Adm. Code 735, PROCEDURES GOVERNING THE ESTABLISHMENT OF CREDIT, BILLING, DEPOSITS, TERMINATION OF SERVICE AND ISSUANCE OF TELEPHONE DIRECTORIES FOR LOCAL EXCHANGE TELECOMMUNICATIONS CARRIERS IN THE STATE OF Illinois. The proceeding had amended two sections of the Rule, 83 Ill. Adm. Code 735.130 and 735.160.

Before the Commission, Mr. Krislov challenged the amendment of Section 735.160. Mr. Krislov had failed to timely file his adverse comments during the First Notice period under the Administrative Procedures Act, 5 ILCS 100/5-40(b). He had also failed to participate in the informal workshops which had been held at the Commission, pursuant to public notice, starting in 2008.

The Appellate Court found that the Commission had complied with the rulemaking requirements of the Administrative Procedures Act, 5 ILCS 100/5-40. On the various Krislov claims of inappropriate behavior by the Commission, the Court found there was no support for the claims. The Court specifically rejected the claim that the denial of Mr. Krislov's application for rehearing indicated that the Commission had an unalterably closed mind during this rulemaking.

Mr. Krislov sought to appeal to the Illinois Supreme Court, but was denied leave by the Illinois Supreme Court on May 25, 2011.

3. *Pliura Intervenors, et al., v. Illinois Commerce Commission, et al.*,  
Supreme Court Docket Nos. 111448 and 111505  
Illinois Appellate Court Docket Nos. 4-09-0702 & 4-09-0718 (cons.),  
Ill.C.C. Docket No. 07-0446.

Appeal from the grant or denial of certificate to operate as a common carrier by pipeline under Section 15-401 of the Public Utilities Act, 220 ILCS 5/15-401, and authorizing the construction of a new petroleum pipeline from Livingston to Marion Counties, Illinois, including, when necessary, the taking of property by eminent domain under Sections 8-503 and 8-509 of the Public Utilities Act, 220 ILCS 5/8-503 and 8-509.

On October 25, 2010, in a Rule 23 Order, the Illinois Appellate Court affirmed the underlying Commission decision which had approved the constructing and operating of a common carrier pipeline for Enbridge Pipelines (Illinois) L.L.C. On December 14, 2010, pursuant to the Commission's motion, the Appellate Court refiled its Rule 23 Order as a published Opinion. The Appellants had challenged the financial fitness of the pipeline company and the public need for the pipeline. The Appellate Court affirmed the Commission's determination of fitness, agreeing that the commitment by Enbridge's holding company to fund this pipeline was sufficient for purposes of Section 15-401(b) of the Public Utilities Act, 220 ILCS 5/15-401(b). The Court also affirmed the Commission's determination of public need for this pipeline, rejecting the appellants' claim that public need under Section 15-401 of the Public Utilities Act, *supra*, should be interpreted narrowly.

The Appellants had sought review by the Illinois Supreme Court. Leave to appeal was denied to the Appellants on January 26, 2011.

**C. Cases under the Public Utilities Act, 220 ILCS 5 in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)**

1. *People of the State of Illinois, et al., v. Illinois Commerce Commission, et al.*,  
Supreme Court Docket Nos. 113288 and 113324  
Illinois Appellate Court Nos. 1-10-0654, 1-10-0655, 1-10-0936, 1-10-1790,  
1-10-1846, and 1-10-1852 (cons.),  
Ill.C.C. Docket Nos. 09-0166 & 09-0167(cons.).

Appeal from grant or denial of general increase of natural gas rates for North Shore Gas Co. and Peoples Gas Light & Coke Co. ("Peoples Gas"), (collectively the "Utilities").

On September 30, 2011, the Illinois Appellate Court affirmed in part and reversed in part the Commission's decision concerning the rates of North Shore Gas Co. and Peoples Gas, Light & Coke Co. [2011 IL App (1<sup>st</sup>) 100654].

The People of the State of Illinois ("The People") and the Citizens Utility Board ("CUB") challenged the Commission's decision to approve Rider ICR (Infrastructure Cost Recovery). Said Rider was intended to encourage the expedited replacement of aging, low-pressure, cast iron/ductile iron mains in Chicago by providing direct recovery of the costs without delay and without over- and under-estimating of the costs involved. In the previous rate case, the Commission had established what Peoples Gas needed to show the Commission to justify the establishment of Rider ICR.

The Court agreed with The People and CUB that Rider ICR constituted single-issue ratemaking for, although the Rider would only recover the just and reasonable amounts expended on infrastructure replacement, the other costs of Peoples Gas are over- and under-recovered through aggregately set rates. The Court held that the Commission abused its discretion by creating Rider ICR because the safety concerns about aging gas mains are insufficient to justify accelerated direct recovery of expenditures. The Court agreed with the recent decision in the Illinois Appellate Court for the Second District, *Commonwealth Edison Co. v. Illinois Commerce Commission*, 405 Ill. App. 3d 389, 414 (2<sup>nd</sup> Dist., 2010) that riders can be established only for externally imposed expenses such as taxes and government-mandated environmental expenses. The Appellate Court did not consider the circumstances herein special enough to allow for rider recovery.

The Utilities challenged (1) the denial of a portion of their employee incentive compensation costs, (2) the reduction of the costs of capital because of the Utilities' approved riders, and (3) the recovery of the so-called pension asset. The Commission was affirmed by the Appellate Court on all these issues.

In this case, as well as in other recent cases, portions of the Utilities' claimed employee incentive compensation costs were denied recovery by the Commission because the evidence did not demonstrate a sufficient nexus between the expense and benefits to the ratepayers of the Utilities. The Appellate Court agreed with the reasoning of the Appellate Court in *Commonwealth Edison Co. v. Illinois Commerce Commission*, 398 Ill. App. 3d 510 (2<sup>nd</sup> Dist., 2009), among other cases, that Illinois law requires that recoverable voluntary expenses provide a benefit to ratepayers before ratepayers are obligated to reimburse the Utilities for the expenses. The employee incentive compensation costs, which were denied recovery, related to financial goals of unregulated affiliates or the shareholders of the Utilities' holding company. The Appellate Court agreed that the Utilities' evidence did not compel a different conclusion.

The Commission herein, as it has done in numerous past cases, denied the attempt of the Utilities to include the so-called pension asset in ratebase which, if allowed, would provide for a return on investment of the pension asset from ratepayers. The denial is based on the evidence which shows that the money invested in the pension asset is supplied by the ratepayers. The Utilities herein were unable to prove the Utilities' investors supplied the money contained in the pension asset, which would have allowed a return on investment. The Appellate Court agreed that the Commission's denial did not constitute retroactive ratemaking and was not against the manifest weight of the evidence.

The Commission had reduced the estimated return on equity (ROE) of the Utilities by 10 basis points each because of the existence of Riders VBA and UEA. (Two other ROE adjustments related to Section 9-230 of the Public Utilities Act, 220 ILCS 5/9-230, and Rider ICR assets were not challenged by the Utilities.) Both the evidence and the reasoned examination of the ROE proxy value prove that the Utilities are less risky because of the existence of the two Riders than the various entities studied to determine the ROE proxy. The Appellate Court rejected the arguments that the Commission decision was contrary to the evidence and that the ROE proxy adjustments due to the Riders constituted double-counting.

On November 4, 2011, the Petitions for Leave to Appeal of the Utilities and the Illinois Commerce Commission were filed with the Illinois Supreme Court. The two Petitions remain pending.

2. *People of the State of Illinois v. Illinois Commerce Commission, et al.; Illinois-American Water Co. v. Illinois Commerce Commission, et al. (cross-appeal)*,  
Illinois Appellate Court No. 1-10-1776,

Appeal from the grant or denial of general increase in water and sewer rates for Illinois-American Water Co.

On December 9, 2011, the Illinois Appellate Court affirmed in part and reversed in part the underlying Commission rate order. In addition, the Appellate Court denied dismissal of Illinois-American Water Company's cross-appeal as untimely.

The People of the State of Illinois ("People") challenged two aspects of the Commission's rate order. The People had challenged the recovery of the test-year portion of the previously approved rate case expense. The Appellate Court rejected the People's various contentions (test-year violation, retroactive ratemaking and single-issue ratemaking) that the recovery violated Illinois law. The Court found that the Commission has a long-standing practice of allowing the test-year amount of the previously approved rate case expense. The Court agreed that the recovery of the ratable portion of the previously approved rate case expense was not retroactive ratemaking. The Court further found that the recovery of the ratable portion of the previously approved rate case expense as part of a general rate case is not single-issue ratemaking.

The People also challenged the Commission's compliance with new Section 9-229 of the Public Utilities Act ("Act"), 220 ILCS 5/9-229, arguing, *inter alia*, that the Commission's findings were inadequate under this new statutory provision. The Appellate Court agreed with the People that the Commission needs more and different findings concerning attorney and expert compensation, related to the rate case expense, in order to meet the new statutory requirements contained in Section 9-229 of the Act, *supra*, than are necessary for informed judicial review. The Appellate Court held that more detailed findings are required by Section 9-229 of the Act, *supra*, in order to explain the Commission's decision, even though the Commission had fully addressed the issue as raised by the parties in the case. The Appellate Court did not reverse the award of rate case expense but did remand the issue for further consideration of the legal and expert fees.

Illinois-American Water Co. ("IAWC") had filed a cross-appeal, which the Commission had challenged as untimely and without jurisdiction under the time set by the General Assembly in Subsection 10-201(a) of the Public Utilities Act, 220 ILCS 5/10-201(a). The Appellate Court held that Section 10-201 of the Act, 220 ILCS 5/10-201, neither specifically forbids cross-appeals nor provides for cross-appeals and so there is no conflict with the Supreme Court Rule 303(a)(3), which allows for "appeals, separate appeals, and cross-appeals" beyond the statutory time limit. Thus, for the first time in nearly 100 years, an appeal from the Commission was allowed beyond the statutory time limit.

IAWC challenged the denial of roughly \$2.5 million of Service Company fees by the Commission because IAWC had not submitted a compliant cost study of Service Company fees as ordered in the previous rate case. The denial of the recovery of \$2.5 million of \$21.167 million in operating expenses, which was paid to its affiliated Service Company for various services provided to IAWC. The amounts being paid to the Service Company by IAWC have been escalating with each new rate case. The Commission, having expressed concern in the previous rate case that there was insufficient evidence that IAWC was doing everything possible to keep costs low, had ordered in the previous rate order that IAWC, *inter alia*, do a cost study comparing the Service Company costs with costs obtainable through competitive bidding on the open market. The Court agreed that IAWC had not met its burden of proof to justify its claim of more than \$21 million in Service Company fees, relying on the recent ComEd decision, *Commonwealth Edison Co. v. Illinois Commerce Commission*, 405 Ill. App. 3d 389, 399-402 (2nd Dist., 2010).

IAWC also claimed that the Commission gave inappropriate consideration to certain public comments and that certain oral comments made at Commission bench sessions should have been barred. The public comments are governed by new provisions of the Public Utilities Act, Section 2-107 (2nd, 3rd, and 5th pars.) and Subsection 8-306(n), 220 ILCS 5/2-107 and 8-306(n), which became law in 2007 and 2006 respectively. The Appellate Court agreed that there was no proof that the Commission had treated the public comments as evidence. The Appellate Court did not even address IAWC's claim that the status of a person would bar that person from making oral comments at a bench session. The persons whose oral comments were challenged had either submitted testimony as nonexpert, public witnesses or was a trustee of an intervening party.

The parties have until December 30 to file for rehearing or, if rehearing is not sought, until January 13, 2012, to file for leave to appeal to the Illinois Supreme Court.

- D. Other Utility-Related Judicial Review Proceedings in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)  
*Complaints for declaratory and other relief challenging an arbitration decision of the Commission under 47 USC 252.*

None





# **SECTION 7**

**Studies and  
Investigations  
Required by  
State Statutes**



---

---

**(7) A description of the status of all studies and investigations required by this Act, including those ordered pursuant to Sections 4-305, 8-304, 9-242, 9-244, and 13-301 and all such subsequently ordered studies or investigations.**

---

---

#### **Section 4-305: Emission Allowance Reports**

Section 4-305 of the Public Utilities Act reads as follows:

Sec. 4-305. Emission allowances. Beginning with the first quarter of 1993, the Commission shall collect from each public utility and each affiliated interest of a public utility owning an electric generating station information relating to the acquisition or sale of emission allowances as defined in Title IV of the federal Clean Air Act Amendments of 1990 (P.L. 101-549), as amended. The information collected shall include the number of emission allowances allocated to each utility, by statute or otherwise, and the number of emission allowances acquired or sold by each utility. The Commission shall establish quarterly requirements for reporting the information specified under this Section. Beginning with the annual report due January 31, 1994, the Commission shall include the information collected under this Section in the annual report required under this Act.

Appendix B presents information that the Commission has collected under Section 4-305 of the Public Utilities Act since the last Annual Report. Appendix B contains fourth quarter 2010 reports and third quarter 2011 reports. The third quarter 2011 reports present a running total of all allowance allocations and transactions during the first three quarters of 2011.

#### **Section 8-304: Estimated Billing Practices**

This section, added September 19, 1985, required the Commission to perform a comprehensive of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services. The study was conducted in 1987. No activities were performed in 2011, and no further activities are anticipated.

#### **Section 8-403: Cogeneration/Small Power Production**

Section 8-403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies. This study was completed in 1987. No activities were required in 2011, and no further activities are anticipated in the future.

#### **Section 8-405.1: Feasibility of Wheeling in Illinois**

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report titled *Electric Wheeling in Illinois* to the General Assembly. No activities were required in 2011, and no further activities are anticipated in the future.

#### **Section 9-202: Temporary Rate Increase**

On October 1, 1987, 83 Ill. Adm. Code 330 became effective. Among other things, 83 Ill. Adm. Code 330 put forth the necessary conditions for a temporary rate increase pursuant to Section 9-202(b) and provided for refunds with interest if the temporary rate increase granted exceeded the permanent rate increase granted.

#### **Section 9-214: Study of CWIP**

The study was completed and sent to the General Assembly on December 29, 1988. Please see the Commission's 1992 annual report, page 56, for details.

**Section 9-216: Rulemaking for Cancellation Costs**

The regulated utilities currently have no generation or production plant under construction and have not made any requests for authority to construct new generation or production plant. Given that there is no due date for either the initiation or completion of this rulemaking, the Commission will initiate rulemaking as soon as practical, given the Commission's current workload and resources.

**Section 9-223: Evaluation of the Fire Protection Charge**

Section 9-223(b) directs the Commission to evaluate the purpose and use of each fire protection charge imposed under Section 9-223. Section 9-223(b) was added to the Public Utilities Act as part of Public Act 94-0950 with an effective date of June 27, 2006. The Commission submitted a report containing its findings to the General Assembly prior to the last day of the 2008 veto session.

**Economic Development Program**

A summary of the Commission's economic development program and its activities since its inception may be found in the 1996 and previous Commission annual reports.

The Commission coordinates its economic development activities with other state agencies, including the Department of Commerce and Economic Opportunity. Commission staff members represent the agency on interagency task forces that relate to the Commission's economic development activities. Individual economic development project proposals are reviewed in conjunction with appropriate staff from utilities, state and local government, and private businesses. Staff comments on tariff and/or rate filings by utilities and testimony in rate case proceedings serve to further articulate Commission policies in the area of economic development.

As the implementation of customer choice continues, the Commission will assess its impact on economic development through an ongoing evaluation of rulemakings and decisions in the following areas: requirements for alternative electric suppliers, consumer-education materials, delivery services tariffs, distributed resources, and real-time pricing.

**Peoples Gas Pipeline Safety Program Investigation**

During January 2004, Commission Pipeline Safety inspectors determined that Peoples Gas Light And Coke Company's ("Peoples Gas") records of corrosion control test point readings indicated that Peoples Gas had failed to properly inspect corrosion test points on its gas distribution system in compliance with required schedules. In response to a January 2004 notification from Commission Staff of its deficiencies respecting corrosion test point monitoring and its obligations to promptly remedy such deficiencies, Peoples Gas responded that it would bring its scheduled test point monitoring into compliance and would promptly remedy past deficiencies in that monitoring.

When Commission Staff Pipeline Safety inspectors returned in early 2005 to re-examine the Peoples Gas corrosion monitoring records, records indicated that additional failures to monitor corrosion test points in compliance with mandatory inspection schedules had occurred during the intervening year and that certain deficiencies noted in early 2004 still persisted. Peoples Gas was notified in early 2005 of its noncompliance with pipeline safety requirements and its failure to promptly remedy past deficiencies. Again, Peoples Gas responded to the notification of noncompliance with a commitment to bring itself into compliance.

In early 2006, Commission Pipeline Safety inspectors returned to Peoples Gas to determine whether or not the deficiencies had been rectified. While the Peoples Gas pipeline safety records indicated that compliance had been achieved, field examinations of actual corrosion test point readings indicated a number of incidents of noncompliance.

Following the completion of the 2006 record examination, Staff recommended to the Commission that a citation proceeding be initiated against Peoples Gas. In April 2006, the Commission ordered Peoples Gas to show cause why it should not be found to have failed to comply with Pipeline Safety program requirements. Litigation in that case has been completed, and the Commission found that Peoples Gas had failed to comply with Pipeline Safety requirements.

On April 17, 2007, the Commission contracted The Liberty Consulting Group ("Liberty") to: (1) determine the degree to which the Peoples Gas pipeline safety program conforms to standards established in 49 CFR Part 192 and the Illinois Gas Pipeline Safety Act; (2) prepare a report to the Commission that details its findings including recommendations regarding the actions Peoples Gas must take, if any, to bring its Pipeline Safety Program into compliance with federal and state requirements and industry best practices; (3) subsequently monitor on a quarterly basis for two years Peoples Gas' efforts to implement recommendations to

bring the Peoples Gas pipeline safety program into compliance with federal requirements and industry best practices; and (4) prepare interim and final reports to the Commission regarding the results of its monitoring activities.

During the period from May 2007 through July 2008, Liberty acquired information from Peoples, interviewed employees, observed field activities, conducted inspections, and took corrosion control readings.

In August 2008, Liberty provided the Commission with its Report on the investigation including 66 recommendations for improvement. The Report states: "Liberty found many areas in which Peoples Gas has considerable room for improvement. Common threads for the deficiencies were that (1) safety-related programs such as leak management and excavation damage prevention did not have someone who had overall ownership and responsibility, (2) there was insufficient staffing in some areas such that Peoples Gas was not performing important activities like field supervision, (3) training for many of the safety-related programs was not sufficient, and (4) Peoples Gas did not monitor and measure its own performance and identify areas needing improvement."

Liberty subsequently began the verification-monitoring phase as specified in the contract where Liberty reports, on a quarterly basis for two years, the progress that Peoples has made in implementing or addressing the 66 recommendations in Liberty's investigation report. Liberty will provide the final 8<sup>th</sup> quarterly report to the Commission in the near future.

Liberty provided the seventh of these quarterly reports on September 27, 2010. In the seventh report roughly covering the seven quarters from December 2008 through August 2010, Liberty's verification work is completed for 54 of the 66 recommendations from the final investigation report. In the table starting on page 1 of the seventh report, Liberty highlights seven recommendations that Liberty suggests ICC Staff continue verification work or monitor activities for those recommendations. Among Liberty's many observations in the seventh report, Staff believes the result of one recommendation was worth noting. Recommendation 111-17: reduce the year end leak backlog. In reviewing results over the past two years Liberty observed:

"...an inadequate number of field repair crews, supervision, and miles of cast/ductile iron replaced for the past two years have adversely affected Peoples Gas' ability to reduce its leak backlogs at year-end...The challenge remaining for Peoples Gas beyond the time period of Liberty's verification audit is its ability to maintain an adequate number of experienced qualified field personnel to accomplish all its safety code mandated requirements, reduce its leak backlog, and support its system enhancement program. The issue of adequate resources to work leaks will be aggravated when Peoples Gas ramps up its replacement efforts to almost 7-fold from 15 miles to over 100 miles of cast and ductile iron replacements during 2011 and years following. During the past two years, it appears that Peoples Gas has not eliminated sufficient of its aging cast/ductile iron mains and has not hired additional personnel at all levels including promoting and or hiring and training additional General Supervisors to address its workload. Peoples Gas may not have accounted for the time and resources it takes to hire, train and qualify personnel to perform code mandated gas O&M activities."

The public versions of Liberty's final investigation report and subsequent quarterly reports are available for downloading and viewing from the Commission's web site at <http://www.icc.illinois.gov/naturalgas/> in the natural gas investigations section.

### **Investigation of Ameren's Illinois Utilities' Storm Outage**

On July 19 and 21, 2006, windstorms struck the service areas of all three Ameren utilities in Illinois resulting in a loss of service to more than 300,000 electric customers in Illinois. Restoring service to AmerenCILCO, AmerenCIPS, and AmerenIP customers took over a week. On November 30, 2006, an ice storm struck central Illinois interrupting electric service to more than 200,000 Ameren Illinois customers. The Ameren utilities took about nine days to restore service to all their Illinois customers. The Commission had previously adopted assessments of Ameren's Illinois utilities' electric service reliability that contained criticism of Ameren utility tree trimming, other distribution line maintenance issues, and the placement of lightning arrestors and tap fuses. These assessments had suggested that the condition of Ameren electricity delivery facilities could contribute to the effects of storms on service to Ameren's customers.

Recognizing the above facts, the Commission began an investigation of Ameren's service restoration response to learn if it was adequate and appropriate and to investigate the condition of Ameren's electricity delivery facilities to learn if it contributed to the large numbers of service interruptions during the storms. On August 29, 2007, the Commission signed a contract with The Liberty Consulting Group ("Liberty") to perform the Ameren investigation. Liberty began working under the contract immediately and delivered its investigation report one year later on August 15, 2008. Liberty's investigation report includes 157 recommendations for improving service reliability and shortening service restoration times after major storms. Liberty's report is available on the Commission's web site at <http://www.icc.illinois.gov/electricity/electricreliability.aspx>; the file is labeled, "Liberty's Ameren Outage Investigation Report."

Since the conclusion of the investigation, Liberty has been examining Ameren's efforts to implement the recommendations from the investigation report. The Commission intended to conclude its verification work on or before September 30, 2011. However, Ameren announced to the Commission Staff in April 2009, that due to the economic downturn, it intended to lengthen its implementation timetable for Liberty's recommendations. With that announcement, Ameren's lengthened timetable no longer matched Liberty's contracted verification timetable. In response, the Commission entered into a new contract with Liberty on September 1, 2011, that extended Liberty's verification timetable to December 31, 2012. Liberty has continued the Commission's verification work uninterrupted and will continue to do so until the end of its new contract.

#### **Analysis of Initial Clean Coal Facility's Cost Report**

The State of Illinois enacted Public Act 95-1027, the Clean Coal Portfolio Standard Law. This new law added Subsection 1-75(d)(4) to the Illinois Power Agency Act [20 ILCS 3855] and required the Commission to submit a report to the General Assembly setting forth its analysis of a facility cost report filed by the initial clean coal facility in Illinois. By law, the Commission was required to provide its analytical report to the General Assembly within six months after the initial clean coal facility filed its facility cost report.

The initial clean coal facility in Illinois is Tenaska's planned Taylorville Energy Center. The Taylorville Energy Center's Facility Cost Report is dated February 26, 2010, and is available on the Commission website at <http://www.icc.illinois.gov/electricity/tenaska.aspx>. The Commission delivered its Analysis of the Taylor Energy Center Cost Report to the Illinois General Assembly on September 1, 2010. The Commission's report is also available on the Commission's web site at the same address as the facility cost report.

The Commission listed its key findings in the front of the executive summary of its report.

With respect to the topics over which the General Assembly specifically requested feedback, the commission finds the following:

- The cost associated with electricity generated by the TEC is substantially higher than that which is associated with other types of general facilities – as described more fully herein, the TEC's expected base case electricity cost of \$212.73 per MWh (or over 21 cents per kWh) would cost significantly more than wind (\$88.80 to \$121.97), nuclear (\$101.45 to \$128.03), traditional coal (\$141.08 to \$153.03) or combined cycle combustion turbine (\$154.05 to \$160.78) facilities.
- The rate impacts on residential and small business customers will likely approach or meet the full 2.015% rate impact cap – should the rate impact cap be met, because there is no concurrent rate impact cap for alternative retail electric suppliers (ARES), additional project costs and cost overruns would be disproportionately borne by ARES and their largely commercial and industrial customer base. This scenario would make ARES less cost-competitive and could have a significant adverse impact on the retail competition model adopted by the General Assembly in 1997.
- The likelihood that the plan could be commercially operable by 2016 is uncertain – missing elements and details from Tenaska's construction schedule cause the Commission to question the company's proposed timeline, and the start of construction is contingent on whether and when the Illinois General Assembly passes authorizing legislation. If the start of the construction is delayed beyond August 2011, the TEC might not commence commercial operation before 2016.

After careful review of the FCR, the Commission concludes that the TEC facility features high costs to ratepayers with uncertain future benefits, and uncertainties that potentially add to already-significant costs.

#### **Section 8-103: Electric Energy Efficiency and Demand Response Program Spending Limits**

Section 8-103 of the Public Utilities Act ("PUA") sets forth requirements for electric utilities to create and implement ratepayer-funded energy efficiency and demand response programs. The statute also provides for a limitation on the amount of spending on such programs, if the result of the spending would be to increase retail rates of retail customers by more than certain prescribed percentages. Subsection (d) of Section 8-103 concludes by stating,

No later than June 30, 2011, the Commission shall review the limitation on the amount of energy efficiency and demand response measures implemented pursuant to this Section and report to the General Assembly its findings as to whether that limitation unduly constrains the procurement of energy efficiency and demand response measures.<sup>13</sup>

The report was sent to the General Assembly on June 29, 2011. It is available on the Commission's web site in the Reports section: <http://www.icc.illinois.gov/reports>.

**Illinois Power Agency Act, Section 1-75(c): Renewable Energy Resource Procurement Spending Limits**

Subsection (c) of Section 1-75 of the Illinois Power Agency Act ("IPA Act") sets forth a renewable portfolio standard ("RPS") pertaining to electric utilities that on December 31, 2005 provided electric service to at least 100,000 customers in Illinois. The statute also provides for a limitation on the amount of renewable energy resources that shall be purchased, if the result of such purchases would be to increase retail rates of eligible retail customers by more than certain prescribed percentages. Paragraph (2) of 1-75(c) concludes by stating,

No later than June 30, 2011, the Commission shall review the limitation on the amount of renewable energy resources procured pursuant to this subsection (c) and report to the General Assembly its findings as to whether that limitation unduly constrains the procurement of cost-effective renewable energy resources.<sup>14</sup>

The report was sent to the General Assembly on June 29, 2011. It is available on the Commission's web site in the Reports section: <http://www.icc.illinois.gov/reports>.

---

<sup>13</sup> 220 ILCS 5/8-103(d)

<sup>14</sup> 20 ILCS 3855/1-75(c)(2)





# **SECTION 8**

**Impacts of  
Federal Activity  
on State Utility  
Service**



---

---

***(8) A discussion of new or potential developments in federal legislation, and federal agency and judicial decisions relevant to State regulation of utility service***

---

---

**COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS**

The Federal Energy Regulatory Commission ("FERC") regulates, among other things, the rates for wholesale electricity sales by public utilities and transmission of electricity in interstate commerce, the transmission and sale of natural gas for resale in interstate commerce, and the transportation of natural gas by interstate pipelines. The primary goal of the ICC's Federal Energy Program is to ensure that the rules, policies, rates, and terms and conditions of service that the FERC establishes for electric transmission service, bulk power sales, and natural gas pipeline transportation are fair and reasonable for Illinois energy consumers. The activities of the Commission's Federal Energy Program are discussed in more detail below.

**DEVELOPMENTS IN THE NATURAL GAS INDUSTRY**

Interstate natural gas pipeline transportation service operates under the Order 636 open access rules adopted by the FERC in 1992. In recent years, the FERC's focus in the natural gas arena has been to hone its interstate natural gas transportation policy through incremental modifications with the implementation of Order 637. FERC's gas policy continues to focus on improving the efficiency and transparency of the natural gas market, encouraging the development of new natural gas storage capacity and infrastructure, increasing competition, and protecting consumers against excessive pipeline transportation rates. To that end in 2011, the FERC continued to expand natural gas infrastructure by approving numerous pipeline expansions, storage fields and liquefied natural gas import terminals. With respect to Illinois, 2011 was a relatively uneventful year for Illinois. Nevertheless, the FERC certified six natural gas storage fields located across Illinois with a total capacity of approximately 241 billion cubic feet of capacity and Northern Border Pipeline placed into operation its Princeton Lateral Project which is designed to transport approximately 120 million cubic feet per day of natural gas from Northern Border's main line in Bureau County, Illinois, to an interconnection with the facilities of Central Illinois Light Company, near Princeton, Illinois. In 2011, the FERC also issued several natural gas rulemakings and requests for comment, including proposed revisions to environmental pipeline construction guidelines.

**DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY**

In the last decade, the FERC has initiated several sweeping reforms concerning the regulation of the transmission grid. In particular, Order 888 opened the nation's transmission grid through open access transmission tariffs. Order 2000 called for the voluntary creation of regional transmission organizations ("RTOs") which are intended to bring about increased efficiency through both improved grid management and increased access to competitive power supplies by end-users. The FERC has also spent a significant amount of time and resources trying to improve the efficiency and transparency of electricity markets through the implementation of the Energy Policy Act of 2005 and Orders 890, 890-A, and 890-B.

In 2011, the FERC issued several orders intending to improve the operation and competitiveness of organized wholesale electricity markets. For example, the FERC issued a new rule that removes barriers to the participation of demand response resources in organized wholesale energy markets by requiring market operators to pay demand response resources the market price for energy when those resources have the capability to balance supply and demand as an alternative to a generation resource. The FERC also issued a rule establishing a new methodology concerning compensation for regulation service, an ancillary transmission service that protects the grid by correcting deviations in grid frequency and balance on transmission lines with neighboring systems. The FERC issued a notice of inquiry seeking comment on if the FERC should revise its approach to analyzing horizontal market power transactions in its electric market-based rate program and a notice of proposed rulemaking that would require the North American Electric Reliability Corporation to provide electronic tagging data to help the FERC monitor wholesale markets and prevent market manipulation. Finally, the FERC issued a request for comment concerning the impact of incentive-based rate treatments that are granted to developers of transmission facilities to encourage development of transmission infrastructure under Order No. 679.

However, the FERC also issued several orders and/or rulemakings that, while well intentioned, are likely to be controversial and possibly subject to legal challenge. For example, Order No. 1000 proposed several reforms regarding transmission planning and cost allocation protocols used by public utilities that own and operate transmission facilities. However, in its request for rehearing, the ICC noted numerous errors made by the FERC in Order No. 1000, including: (1) with respect to cost allocation, the FERC erred by failing to recognize the distinction between cost causers and beneficiaries; (2) the FERC violated the Federal

Power Act and case precedent by keeping the postage-stamp approach as an acceptable cost allocation; and (3) by allowing cost allocations to be based on a portfolio of projects, rather than individual projects, the FERC violated the requirement that transmission investments be prudent and that rates be just and reasonable. Another order by the FERC that holds potentially negative implications for Illinois was an order upholding a prior FERC decision approving postage stamp cost allocation for a class of transmission projects in the Midwest ISO called “Multi-Value Projects” (MVPs). In that docket, the ICC had argued that the Midwest ISO failed to show that the MVPs provide benefits to ratepayers that are at least roughly commensurate with the costs that would be allocated for the projects. After the FERC rejected the ICC’s request for rehearing, the ICC filed an appeal of the FERC’s order, which is currently pending before the U.S. Court of Appeals for the Seventh Circuit. Similarly, the ICC’s appeal of the 2007 FERC order approving socialized transmission cost allocation in PJM is still awaiting action from the FERC. The ICC argued that the FERC’s decision effectively imposed a billion dollars in costs on Illinois electric customers while creating no benefits for Illinois. In 2008, the US Court of Appeals for the 7th Circuit remanded the order back to the FERC.

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 (220 ILCS 5/16-101, et seq.), enacted on December 16, 1997, introduced the concept of delivery services and required Illinois utilities to provide open access to delivery services on a phased-in basis. However, in adopting that statute, the Illinois General Assembly recognized that certain components of delivery service may be subject to FERC jurisdiction. Therefore, the statute states:

An electric utility shall provide the components of delivery services that are subject to the jurisdiction of the Federal Energy Regulatory Commission at the same prices, terms and conditions set forth in its applicable tariff as approved or allowed into effect by that Commission [FERC]. The Commission [ICC] shall otherwise have the authority pursuant to Article IX to review, approve, and modify the prices, terms and conditions of those components of delivery services not subject to the jurisdiction of the Federal Energy Regulatory Commission . . . (220 ILCS 5/16-108(a))

Furthermore, Section 16-101A(d) of the Public Utility Act mandates:

The Illinois Commerce Commission should act to promote the development of an effectively competitive electricity market that operates efficiently and is equitable to all consumers.

Accordingly, the ICC continues to be actively engaged at the FERC, working to ensure that the components of delivery service for which FERC has regulatory oversight responsibility are provided at rates, terms, and conditions that are appropriate for Illinois’ retail direct access program. Similarly, the ICC has been advocating transparent wholesale electricity markets, believing that a transparent wholesale market is a prerequisite that must be developed in order for Illinois’ open access retail program to provide greater benefits to retail customers.

## **NATIONAL DEVELOPMENTS**

The production and transmission of renewable energy continues to be a major topic of emphasis for both the FERC and the DOE. In particular, transmission developers continue to propose interstate transmission projects intended to transport renewable energy from the Dakotas and Iowa to customers in the eastern parts of the United States. Similarly, the FERC and the DOE continue to pursue the initiatives that facilitate the integration of renewable energy into the established wholesale electricity markets. While the ICC continues to generally support such initiatives, these projects routinely have price tags that are in the hundreds of millions of dollars. The ICC is also concerned that under the FERC’s current cost allocation approach for such projects, Illinois electricity customers could end up paying a disproportionate share of the costs for these projects. Accordingly, the ICC continues to be engaged at both the FERC and the DOE with the objective that these types of costs are allocated in a fair and equitable manner.

# **SECTION 9**

**Recommendations for  
Proposed  
Legislation**



---

---

***(9) All recommendations for appropriate legislative action by the General Assembly.***

---

---

The Commission's legislative agenda for the 97th General Assembly is currently being formulated. A detailed discussion of specific proposals currently under consideration would be premature at this time.





# **Appendix A**

## **Summary of Significant Commission Decisions**



## SUMMARY OF SIGNIFICANT COMMISSION DECISIONS

### Electric

#### 07-0310 Commonwealth Edison Company

**Application for a Certificate of Public Convenience and Necessity, pursuant to Section 8-406 of the Illinois Public Utilities Act, to construct, operate and maintain a new 138,000-volt electric transmission line in Kane and McHenry Counties, Illinois.**

#### **Remand Order**

This case was remanded from the Appellate Court for the sole purpose of determining the width of the easement granted to ComEd. An intervenor, the Kreutzer Road Party was attempting to reopen the whole case and try to argue that ComEd should start over. It was determined that this request would have exceeded the scope of the remand and it was rejected. The Commission approved the final order on April 15, 2011.

#### 09-0535 Illinois Commerce Commission, On Its Own Motion -vs- Central Illinois Light Company et al.

**Reconciliation of revenues collected under Rider EDR with the actual costs associated with energy efficiency and demand-response plans. Reconciliation of revenues collected under Rider GER with the actual costs associated with natural gas energy efficiency plans.**

In Docket 07-0539, the Commission approved, pursuant to Section 12-103 of the Public Utilities Act, an Energy Efficiency and Demand Response Plan applicable to the Ameren Illinois Companies through Rider EDR. Some of the programs are administered by Department of Commerce and Economic Opportunity. The proceeding in Docket 09-0535 involves the first reconciliation under Rider EDR to determine whether the costs were prudently incurred and accurately recovered, and whether the costs were for authorized EDR program activities undertaken in the reconciliation period. The Commission entered an order approving the reconciliation, subject to certain adjustments and refunds to ratepayers. A similar reconciliation was performed for Rider GER.

#### 10-0138 Commonwealth Edison Company

**Proposal to establish Rider PORCB (Purchase of Receivables with Consolidated Billing) and to revise other related tariffs.(tariffs filed January 20, 2010)**

**Rehearing.** Public Act 95-0700 amended Section 16-118 of the Public Utilities Act (220 ILCS 5/16-118) to require electric utilities with more than 100,000 customers to file tariffs establishing Utility Consolidated Billing ("UCB") and Purchase of Receivables ("POR") services. Pursuant to this new law, an electric utility must provide a retail electric supplier (a "RES") with the option to have the applicable electric utility purchase the suppliers' receivables for the power and energy that they provide to residential and small commercial retail customers.

#### 10-0467 Commonwealth Edison Company

**Proposed general increase in electric rates. (tariffs filed June 30, 2010)**

This docket set forth new rates for Commonwealth Edison and the terms, upon which, those rates can be imposed. It also set many standards for future rate cases, such as, the proper computation of pro forma

capital additions and related depreciation, as well as some of the terms of Commonwealth Edison's relationship with the two commuter railroads (the Chicago Transit Authority and Metra).

**10-0527 Commonwealth Edison Company**

**Petition for Approval of an Alternative Rate Regulation Plan pursuant to Section 9-244 of the Public Utilities Act.**

This matter concerned Commonwealth Edison Company's ("ComEd") Petition seeking approval of Rate ACEP, its proposed alternative regulation ("Alt Reg") program, pursuant to Section 9-244 of the Act. ComEd proposed three initial projects for recovery through Rate ACEP: an electric vehicle pilot, urban underground facilities reinvestment and a low income assistance project. ComEd also intended that any future Smart Grid costs would be recovered through Rate ACEP. On May 24, 2011, the Commission denied ComEd's Petition, finding that the proposed Alt Reg did not comply with the requirements of the statute.

**10-0562 Northern Illinois Gas Company d/b/a Nicor Gas Company**

**Application pursuant to Section 8-104 and Section 9-201 of the Illinois Public Utilities Act for consent to and approval of an Energy Efficiency Plan and approval of Rider 30, Energy Efficiency Plan Cost Recovery and Related changes to Nicor Gas' tariffs**

In this proceeding, Northern Illinois Gas Company, d/b/a Nicor Company, filed with the Illinois Commerce Commission pursuant to Section 8-104 of the Public Utilities Act, 220 ILCS 5/8-104, its Petition and Direct Testimony relating to Nicor's proposed Energy Efficiency Plan. The Commission found that the Petition filed by Nicor requesting approval of its Energy Efficiency Plan and proposed Riders 29 and 30 was conditionally approved, subject to Nicor filing a compliance filing that incorporates and is consistent with the findings and conclusions of the Order.

**10-0588 Peoples Energy Corp., N. Shore Gas Co., & Peoples Gas Light & Coke Co.**

**Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization.**

In this proceeding, Peoples Energy Corporation, North Shore Gas Company and The Peoples Gas Light and Coke Company filed an Application for approval of a Reorganization, as defined in Section 7-204 of the Public Utilities Act, 220 ILCS 5/7-204, with the Illinois Commerce Commission. The proposed Reorganization is a transaction under which PEC, the parent company of North Shore and Peoples Gas and currently an Illinois corporation, converts to a Delaware limited liability company. Staff testified that the proposed Reorganization met the requirements of Section 7-204. The Commission granted the Applicants' request for approval of the reorganization.

**10-0640 Commonwealth Edison Company**

**Application for Approval of a Payment Assistance Plan, Including a Percentage of Income Payment Plan, Offered Under the Authority of Section 8-105 of the Illinois Public Utilities Act**

In this proceeding, Commonwealth Edison Company filed a verified petition for approval of a Payment Assistance Plan, including a Percentage of Income Payment Plan, offered under the authority of Section 8-105 of the Illinois Public Utilities Act. The Commission granted ComEd's Petition requesting approval of its residential payment assistance plan for 2011.

**10-0733 Illinois Commerce Commission  
On Its Own Motion**

**Amendment of 83 Ill. Adm. Code 454.**

On September 30, 2010, the Commission began the process of amending Part 454, "LICENSURE OF RETAIL ELECTRIC AGENTS, BROKERS AND CONSULTANTS." An Order was entered on October 5, 2011 adopting the amendments.

**11-0192 Ameren Illinois Company d/b/a Ameren Illinois**

**Petition for Competitive Declaration with Respect to Customers with Peak Demand of at least 150 Kilowatts but less than 400 Kilowatts.**

In its petition filed March 1, 2011, Ameren Illinois requested, pursuant to Section 16-113(g) of the Public Utilities Act, that the Commission "declare the provision of electric power and energy to those retail customers with peak demands of 150 kilowatts and above but less than 400 kilowatts, to be a competitive service, effective May 1, 2011." Ameren Illinois was required to show "[1] that at least 33% of those customers in the electric utility's service area that are eligible to take the class of tariffed service instead take service from alternative retail electric suppliers, as defined in Section 16-102, and [2] that at least 3 alternative retail electric suppliers provide service that is comparable to that tariffed service to those customers in the electric utility's service area that do not take service from the electric utility." In an order entered on March 23, 2011, the Commission found that the statutory criteria had been met and it granted the petition.

**11-0358 Ameren Illinois Company d/b/a Ameren Illinois**

**Proposed tariff language pertaining to the purchase of uncollectable receivables pursuant to Section 16-118(e) of the Public Utilities Act. (tariffs filed March 10, 2011).**

On November 8, 2011, the Commission entered an Order authorizing Ameren Illinois Company to put into place tariff revisions implementing Section 16-118(e) of the Public Utilities Act. This section of Act, which was enacted in 2007, requires electric utilities with more than 100,000 customers to file a tariff that provides alternative retail electric suppliers ("ARES"), and electric utilities other than the electric utility in whose service area the retail customers are located, with the option to have the electric utility purchase two billing cycles worth of uncollectible receivables for power and energy service provided to residential retail customers and to non-residential retail customers with a non-coincident peak demand of less than 400 kilowatts upon returning that customer to that electric utility for delivery and energy service after that ARES, or an electric utility other than the electric utility in whose service area the retail customer is located, has made reasonable collection efforts on that account.

**11-0435 Commonwealth Edison Company**

**Proposed tariff language pertaining to the purchase of uncollectible receivables pursuant to Section 16-118(e) of the Public Utilities Act. (tariffs filed April 22, 2011)**

A new law requires electric utilities to purchase the uncollectible accounts of alternative retail electric suppliers, if the alternative suppliers desire such an arrangement. This docket sets the terms and conditions of that program, including such items as the discount rate and the administrative costs for this program.

**11-0469 Ameren Illinois Company**

**Petition for an Order pursuant to Section 8-509 of the Public Utilities Act Approving use of Eminent Domain Power.**

On December 13, 2011, the Commission entered an Order granting Ameren Illinois Company authority under Section 8-509 of the Public Utilities Act to obtain easements via eminent domain in order to construct a 9-mile long 138 kilovolt electric transmission line in LaSalle County, Illinois.

11-0660

**The Illinois Power Agency**

**Petition For Approval of the 220 ILCS 5/16-111.5(d) Procurement Plan.**

In December of 2011, the Commission entered an Order approving the fourth Power Procurement Plan proposed by the Illinois Power Agency under Section 16-111.5 of the Public Utilities Act. The Plan provides for the procurement of power for those customers of Ameren Illinois Company and Commonwealth Edison Company not served by an alternative supplier.

**Gas**

10-0136

**Illinois Commerce Commission  
On Its Own Motion**

**-vs-**

**North Shore Gas Company**

This concerns an annual reconciliation proceeding initiated by the Commission which directed North Shore Gas Company to present evidence at a public hearing to show the reconciliation of revenues arising under its Rider 11, "Adjustment for Incremental Costs of Environmental Activities", its schedule of rates and the actual costs prudently incurred and recoverable under its Rider 11 for the twelve months ended December 31, 2009. Docket 10-0137 concerns Peoples Gas Light and Coke Company's annual reconciliation proceeding for revenues collected under its Rider 11 during the same reconciliation period. There were no contested issues in these dockets. On February 23, 2011, the Commission entered an Order approving the reconciliations.

10-0716

**Illinois Commerce Commission  
On Its Own Motion**

**-vs-**

**The Peoples Gas Light and Coke Company**

**Citation for alleged violations of federal rules incorporated by the Illinois Commerce Commission regarding testing.**

A citation proceeding concerning an incident in which one Peoples Gas employee was killed and another severely injured at a work site. The Commission approved a settlement between Commission Staff and Peoples Gas, obligating Peoples to pay the maximum monetary penalty allowed by law (\$200,000) and to implement improved safety measures.

11-0046

**AGL Resources Inc., Nicor Inc. and Northern Illinois Gas Company d/b/a Nicor Gas Company**

**Application for Approval of a Reorganization pursuant to Section 7-204 of the Public Utilities Act.**

Approved the merger of AGL and Nicor Inc., by which Nicor Gas becomes an affiliate of AGL. The Commission attached 34 conditions to approval, including a rate freeze and termination of Nicor Gas' marketing of its affiliates' products during customer telephone contacts with the utility.

11-0121

**Illinois Commerce Commission  
On Its Own Motion**

**Amendment of 83 Ill. Adm. Code 590.**

On August 2, 2011, the Commission entered an Order adopting amendments to 83 Ill. Adm. Code 590, "Minimum Safety Standards for Transportation of Gas and for Gas Pipeline Facilities" ("Part 590"). The amendments update Part 590 by incorporating by reference more recent versions of federal safety standards in 49 CFR 192, consistent with Section 3 of the Illinois Gas Pipeline Safety Act, 220 ILCS 20/1 et seq.

## **Water & Sewer**

- 11-0059      **Great Northern Utilities, Inc.**  
11-0141      **Camelot Utilities, Inc.**  
                **Consol.**  
11-0142      **Lake Holiday Utilities Corporation**

### **Proposed general increase in water rates. (Tariffs filed December 30, 2010)**

This concerns filed tariffs sheets proposing general increases in water rates and also sewer rates in the case of Camelot. The Companies initially proposed the following increases in revenue: Great Northern \$275,600, or 301%; Camelot (Water) \$192,000, or 253%; Camelot (Sewer) \$107,500, or 101%; and Lake Holiday \$345,300, or 76%. The Commission entered an Order on November 8, 2011 granting the following increases in revenue: Great Northern \$231,300, or 252%; Camelot (Water) \$162,100, or 213%; Camelot (Sewer) \$94,300, or 88%; and Lake Holiday \$219,600, or 48%.

## **Miscellaneous**

- 09-0511      **The People of the State of Illinois**

### **Petition to Initiate Rulemaking with Notice and Comment for Approval of Certain Amendments to Illinois Administrative Code Part 200 Concerning Interlocutory Review.**

This docket concerned a proposed amendment of 83 Ill. Adm. Code 200, "Rules of Practice." The amendment clearly defined the scope of the participation of administrative law judges in the interlocutory review. The amendment limits the input from the administrative law judge whose order is the subject of the interlocutory review. The amendment was approved by the Joint Committee on Administrative Rules on March 8, 2011 and the Commission approved the final order on March 23, 2011. The new rule took effect on April 1, 2011.

- 10-0281      **Illinois Commerce Commission On Its Own Motion**

### **Amendment of 83 Ill. Adm. Code 300.**

In this docket, the Commission amended the letter that Commission Staff sends to landowners explaining their rights when utilities seek to build on or near the landowners' property (the letter is an Appendix to part 300). The letter is now in easy to understand, plain English, thus correcting the situations that have existed in the past, when these landowners were confused about their rights in these situations.

- 11-0711      **Illinois Commerce Commission On Its Own Motion**

### **Development and adoption of rules concerning rate case expense.**

In this docket, the Commission will establish the methodology, by which, utilities must prove entitlement to claimed expenses for attorney's fees and expert witnesses in rate cases. This case should set standards by which all parties will be governed in the future regarding these two types of fees that are included in consumers' rates.





# **Appendix B**

## **Emission Allowance Reports**



# ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

October 1, 2010

to

December 31, 2010

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	53,801	64,225	(47,827)	(54,280)	53,452	545	69,916
2	2009	69,916	64,225	(42,200)	0	2,500	545	94,986
3	2010	94,986	64,649	(31,912)	0	0	1,157	128,880
4	2011	-	64,649	-	0	0	230	64,879
5	2012	-	64,649	-	0	0	230	64,879
6	2013	-	64,649	-	0	0	230	64,879
7	2014	-	64,649	-	0	0	230	64,879
8	2015	-	64,649	-	0	0	230	64,879
9	2016	-	64,649	-	0	0	230	64,879
10	2017	-	64,649	-	0	0	230	64,879
11	2018	-	64,649	-	0	0	230	64,879
12	2019	-	64,649	-	0	0	230	64,879
13	2020	-	64,649	-	0	0	(702)	63,947

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	64,649	-	0	0	230	64,879
15	2022	-	64,649	-	0	0	230	64,879
16	2023	-	64,649	-	0	0	230	64,879
17	2024	-	64,649	-	0	0	230	64,879
18	2025	-	64,649	-	0	0	230	64,879
19	2026	-	64,649	-	0	0	230	64,879
20	2027	-	64,649	-	0	0	230	64,879
21	2028	-	64,649	-	0	0	230	64,879
22	2029	-	64,649	-	0	0	230	64,879
23	2030	-	64,649	-	0	0	230	64,879
24	2031	-	64,649	-	0	0	230	64,879
25	2032	-	64,649	-	0	0	230	64,879
26	2033	-	64,649	-	0	0	230	64,879
27	2034	-	64,649	-	0	0	230	64,879
28	2035	-	64,649	-	0	0	230	64,879
29	2036	-	64,649	-	0	0	230	64,879
30	2037	-	64,649	-	0	0	230	64,879
31	2038	-	64,649	-	0	0	230	64,879

Note: On June 15, 2010 USEPA returned 1,859 unused allowances to us from the Conservation and Renewable Energy Reserve.

# ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

July 1, 2011  
to  
September 30, 2011

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	53,801	64,225	(47,827)	(54,280)	53,452	545	69,916
2	2009	69,916	64,225	(42,200)	0	2,500	545	94,986
3	2010	94,986	64,649	(31,911)	0	0	1,157	128,881
4	2011	128,881	64,649	(26,330)	0	0	230	167,430
5	2012	-	64,649	-	0	0	230	64,879
6	2013	-	64,649	-	0	0	230	64,879
7	2014	-	64,649	-	0	0	230	64,879
8	2015	-	64,649	-	0	0	230	64,879
9	2016	-	64,649	-	0	0	230	64,879
10	2017	-	64,649	-	0	0	230	64,879
11	2018	-	64,649	-	0	0	230	64,879
12	2019	-	64,649	-	0	0	230	64,879
13	2020	-	64,649	-	0	0	(702)	63,947

Ameren Energy Generating Company

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	64,649	-	0	0	230	64,879
15	2022	-	64,649	-	0	0	230	64,879
16	2023	-	64,649	-	0	0	230	64,879
17	2024	-	64,649	-	0	0	230	64,879
18	2025	-	64,649	-	0	0	230	64,879
19	2026	-	64,649	-	0	0	230	64,879
20	2027	-	64,649	-	0	0	230	64,879
21	2028	-	64,649	-	0	0	230	64,879
22	2029	-	64,649	-	0	0	230	64,879
23	2030	-	64,649	-	0	0	230	64,879
24	2031	-	64,649	-	0	0	230	64,879
25	2032	-	64,649	-	0	0	230	64,879
26	2033	-	64,649	-	0	0	230	64,879
27	2034	-	64,649	-	0	0	230	64,879
28	2035	-	64,649	-	0	0	230	64,879
29	2036	-	64,649	-	0	0	230	64,879
30	2037	-	64,649	-	0	0	230	64,879
31	2038	-	64,649	-	0	0	230	64,879

Note: On June 15, 2010 USEPA returned 1,859 unused allowances to us from the Conservation and Renewable Energy Reserve.

# ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

October 1, 2010-  
to

December 31, 2010

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	24,823	33,228	(18,403)	0	0	246	39,894
2	2009	39,894	33,228	(12,240)	0	0	246	61,128
3	2010	61,128	29,190	(12,766)	0	0	950	78,502
4	2011	-	29,190	-	0	0	105	29,295
5	2012	-	29,190	-	0	0	105	29,295
6	2013	-	29,190	-	0	0	105	29,295
7	2014	-	29,190	-	0	0	105	29,295
8	2015	-	29,190	-	0	0	105	29,295
9	2016	-	29,190	-	0	0	105	29,295
10	2017	-	29,190	-	0	0	105	29,295
11	2018	-	29,190	-	0	0	105	29,295
12	2019	-	29,190	-	0	0	105	29,295
13	2020	-	29,190	-	0	0	105	29,295



Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	29,190	-	0	0	105	29,295
15	2022	-	29,190	-	0	0	105	29,295
16	2023	-	29,190	-	0	0	105	29,295
17	2024	-	29,190	-	0	0	105	29,295
18	2025	-	29,190	-	0	0	105	29,295
19	2026	-	29,190	-	0	0	105	29,295
20	2027	-	29,190	-	0	0	105	29,295
21	2028	-	29,190	-	0	0	105	29,295
22	2029	-	29,190	-	0	0	105	29,295
23	2030	-	29,190	-	0	0	105	29,295
24	2031	-	29,190	-	0	0	105	29,295
25	2032	-	29,190	-	0	0	105	29,295
26	2033	-	29,190	-	0	0	105	29,295
27	2034	-	29,190	-	0	0	105	29,295
28	2035	-	29,190	-	0	0	105	29,295
29	2036	-	29,190	-	0	0	105	29,295
30	2037	-	29,190	-	0	0	105	29,295
31	2038	-	29,190	-	0	0	105	29,295

Note: On June 15, 2010 USEPA returned 845 unused allowances to us from the Conservation and Renewable Energy Reserve.

# ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

July 1, 2011

to

September 30, 2011

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	24,823	33,228	(18,403)	0	0	246	39,894
2	2009	39,894	33,228	(12,240)	0	0	246	61,128
3	2010	61,128	29,190	(12,766)	0	0	950	78,502
4	2011	78,502	29,190	(9,581)	(20,000)	0	105	78,216
5	2012	-	29,190	-	0	0	105	29,295
6	2013	-	29,190	-	0	0	105	29,295
7	2014	-	29,190	-	0	0	105	29,295
8	2015	-	29,190	-	0	0	105	29,295
9	2016	-	29,190	-	0	0	105	29,295
10	2017	-	29,190	-	0	0	105	29,295
11	2018	-	29,190	-	0	0	105	29,295
12	2019	-	29,190	-	0	0	105	29,295
13	2020	-	29,190	-	0	0	105	29,295

Ameren Energy Resources Generating Company

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	29,190	-	0	0	105	29,295
15	2022	-	29,190	-	0	0	105	29,295
16	2023	-	29,190	-	0	0	105	29,295
17	2024	-	29,190	-	0	0	105	29,295
18	2025	-	29,190	-	0	0	105	29,295
19	2026	-	29,190	-	0	0	105	29,295
20	2027	-	29,190	-	0	0	105	29,295
21	2028	-	29,190	-	0	0	105	29,295
22	2029	-	29,190	-	0	0	105	29,295
23	2030	-	29,190	-	0	0	105	29,295
24	2031	-	29,190	-	0	0	105	29,295
25	2032	-	29,190	-	0	0	105	29,295
26	2033	-	29,190	-	0	0	105	29,295
27	2034	-	29,190	-	0	0	105	29,295
28	2035	-	29,190	-	0	0	105	29,295
29	2036	-	29,190	-	0	0	105	29,295
30	2037	-	29,190	-	0	0	105	29,295
31	2038	-	29,190	-	0	0	105	29,295

Note: On June 15, 2010 USEPA returned 845 unused allowances to us from the Conservation and Renewable Energy Reserve.

Cordova Energy Company, LLC

**ALLOWANCE REPORTING FORM**

**Reporting Period**

October 1, 2010 to December 31, 2010

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	0	0	0	0	0	0
2	2001	0--	0	-1	0	20	0	19
3	2002	19	0	-2	0	0	0	17
4	2003	17	0	-0	0	0	0	17
5	2004	17	0	-1	0	0	0	16
6	2005	16	0	-2	0	0	0	14
7	2006	14	0	-0	0	0	0	14
8	2007	14	0	-2	0	0	0	12
9	2008	12	0	-0	0	0	0	12
10	2009	-12	0	-0	0	0	0	12
11	2010	12	0	-0	0	0	0	12
12		---		---				
13		---		---				

Cordova Energy Company, LLC  
**ALLOWANCE REPORTING FORM**

**Reporting Period**

July 1 2011 to September 30 2011

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	0	0	0	0	0	0
2	2001	0	0	-1	0	20	0	19
3	2002	19	0	-2	0	0	0	17
4	2003	17	0	-0	0	0	0	17
5	2004	17	0	-1	0	0	0	16
6	2005	16	0	-2	0	0	0	14
7	2006	14	0	-0	0	0	0	14
8	2007	14	0	-2	0	0	0	12
9	2008	12	0	-0	0	0	0	12
10	2009	-12	0	-0	0	0	0	12
11	2010	12	0	0	0	0	0	12
12	2011	12	0	-0	0	0	0	12
13		—		—				

## FORM 213/20

## ALLOWANCE REPORTING FORM

Reporting Period

January 1, 2010 to December 31, 2010

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2010	60,028	-----	25,897	0	0	854	34,985
2	2011	29,040	-----	0	0	0		29,040
3	2012	29,040	-----	0	0	0		29,040
4	2013	29,040	-----	0	0	0		29,040
5	2014	29,040	-----	0	0	0		29,040
6	2015	29,040	-----	0	0	0		29,040
7	2016	29,040	-----	0	0	0		29,040
8	2017	29,040	-----	0	0	0		29,040
9	2018	29,040	-----	0	0	0		29,040
10	2019	29,040	-----	0	0	0		29,040
11	2020	29,040	-----	0	0	0		29,040
12	2021	29,040	-----	0	0	0		29,040
13	2022	29,040	-----	0	0	0		29,040

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2023	29,040	-----	0	0			29,040
15	2024	29,040	-----	0	0			29,040
16	2025	29,040	-----	0	0			29,040
17	2026	29,040	-----	0	0			29,040
18	2027	29,040	-----	0	0			29,040
19	2028	29,040	-----	0	0			29,040
20	2029	29,040	-----	0	0			29,040
21	2030	29,040	-----	0	0			29,040
22	2031	29,040	-----	0	0			29,040
23	2032	29,040	-----	0	0			29,040
24	2033	29,040	-----	0	0			29,040
25	2034	29,040	-----	0	0			29,040
26	2035	29,040	-----	0	0			29,040
27	2036	29,040	-----	0	0			29,040
28	2037	29,040	-----	0	0			29,040
29	2038	29,040	-----	0	0			29,040
30	2039	29,040	-----	0	0			29,040
31	2040	0	29,040	0	0			29,040

## FORM 213/20

## ALLOWANCE REPORTING FORM

Reporting Period

January 1, 2011 to September 30, 2011

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2011	64,025	-----	33,129	0			30,896
2	2012	29,040	-----	0	0			29,040
3	2013	29,040	-----	0	0			29,040
4	2014	29,040	-----	0	0			29,040
5	2015	29,040	-----	0	0			29,040
6	2016	29,040	-----	0	0			29,040
7	2017	29,040	-----	0	0			29,040
8	2018	29,040	-----	0	0			29,040
9	2019	29,040	-----	0	0			29,040
10	2020	29,040	-----	0	0			29,040
11	2021	29,040	-----	0	0			29,040
12	2022	29,040	-----	0	0			29,040
13	2023	29,040	-----	0	0			29,040



Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2024	29,040	-----	0	0			29,040
15	2025	29,040	-----	0	0			29,040
16	2026	29,040	-----	0	0			29,040
17	2027	29,040	-----	0	0			29,040
18	2028	29,040	-----	0	0			29,040
19	2029	29,040	-----	0	0			29,040
20	2030	29,040	-----	0	0			29,040
21	2031	29,040	-----	0	0			29,040
22	2032	29,040	-----	0	0			29,040
23	2033	29,040	-----	0	0			29,040
24	2034	29,040	-----	0	0			29,040
25	2035	29,040	-----	0	0			29,040
26	2036	29,040	-----	0	0			29,040
27	2037	29,040	-----	0	0			29,040
28	2038	29,040	-----	0	0			29,040
29	2039	29,040	-----	0	0			29,040
30	2040	0	29,040	0	0			0
31				0	0			0

## ALLOWANCE REPORTING FORM

Reporting Period

October 1, 20 10

To

December 31, 20 10

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) <sup>(1)</sup>	USEPA Allowance Allocation (C) <sup>(2)</sup>	YTD Allowance Usage (D) <sup>(3)</sup>	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2010	104,123	59,139	51,987	0	0	1,347	112,622
2	2011	-----	59,139	-----	0	0	0	59,139
3	2012	-----	59,139	-----	0	0	0	59,139
4	2013	-----	59,139	-----	0	1,988	0	61,127
5	2014	-----	59,139	-----	0	9,118	0	68,257
6	2015	-----	59,139	-----	0	0	0	59,139
7	2016	-----	59,139	-----	0	0	0	59,139
8	2017	-----	59,139	-----	0	0	0	59,139
9	2018	-----	59,139	-----	0	0	0	59,139
10	2019	-----	59,139	-----	0	0	0	59,139
11	2020	-----	59,139	-----	0	0	0	59,139
12	2021	-----	59,139	-----	0	0	0	59,139
13	2022	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) <sup>(1)</sup>	USEPA Allowance Allocation (C) <sup>(2)</sup>	YTD Allowance Usage (D) <sup>(3)</sup>	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2023	-----	59,139	-----	0	0	0	59,139
15	2024	-----	59,139	-----	0	0	0	59,139
16	2025	-----	59,139	-----	0	0	0	59,139
17	2026	-----	59,139	-----	0	0	0	59,139
18	2027	-----	59,139	-----	0	0	0	59,139
19	2028	-----	59,139	-----	0	0	0	59,139
20	2029	-----	59,139	-----	0	0	0	59,139
21	2030	-----	59,139	-----	0	0	0	59,139
22	2031	-----	59,139	-----	0	0	0	59,139
23	2032	-----	59,139	-----	0	0	0	59,139
24	2033	-----	59,139	-----	0	0	0	59,139
25	2034	-----	59,139	-----	0	0	0	59,139
26	2035	-----	59,139	-----	0	0	0	59,139
27	2036	-----	59,139	-----	0	0	0	59,139
28	2037	-----	59,139	-----	0	0	0	59,139
29	2038	-----	59,139	-----	0	0	0	59,139
30	2039	-----	59,139	-----	0	0	0	59,139
31	2040	-----	59,139	-----	0	0	0	59,139

The Clean Air Interstate Rule ("CAIR") Sulfur Dioxide Program Phase I became effective January 1, 2010. The CAIR program utilizes existing Title IV sulfur dioxide allowances and requires sources covered by the program to retire two vintage 2010-2014 Title IV sulfur dioxide allowances for every one ton of sulfur dioxide emissions. Title IV sulfur dioxide allowances of vintage 2009 or earlier retain the original one allowance for one ton of sulfur dioxide emissions value. MidAmerican Energy Company currently holds both vintages of Title IV sulfur dioxide allowances.

(1). Allowance vintage 2009 or earlier, one allowance for one ton of sulfur dioxide emissions.

(2). Allowance vintages 2010-2014, two allowances for one ton of sulfur dioxide emissions.

(3). For the period of January 1, 2010 - December 31, 2010 51,987 tons of sulfur dioxide were emitted which equates to 51,987 vintage 2009 or earlier allowances. MidAmerican Energy Company will retire 51,987 vintage 2009 or earlier allowances for the 2010 compliance year.

## ALLOWANCE REPORTING FORM

Reporting Period

July 1, 2011

To

September 30, 2011

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) <sup>(1)</sup>	USEPA Allowance Allocation (C) <sup>(2)</sup>	YTD Allowance Usage (D) <sup>(3)</sup>	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2011	112,622	59,139	35,034	0	0	(4)	136,723
2	2012	-----	59,139	-----	0	0	0	59,139
3	2013	-----	59,139	-----	0	1,988	0	61,127
4	2014	-----	59,139	-----	0	9,118	0	68,257
5	2015	-----	59,139	-----	0	0	0	59,139
6	2016	-----	59,139	-----	0	0	0	59,139
7	2017	-----	59,139	-----	0	0	0	59,139
8	2018	-----	59,139	-----	0	0	0	59,139
9	2019	-----	59,139	-----	0	0	0	59,139
10	2020	-----	59,139	-----	0	0	0	59,139
11	2021	-----	59,139	-----	0	0	0	59,139
12	2022	-----	59,139	-----	0	0	0	59,139
13	2023	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) <sup>(1)</sup>	USEPA Allowance Allocation (C) <sup>(2)</sup>	YTD Allowance Usage (D) <sup>(3)</sup>	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2024	-----	59,139	-----	0	0	0	59,139
15	2025	-----	59,139	-----	0	0	0	59,139
16	2026	-----	59,139	-----	0	0	0	59,139
17	2027	-----	59,139	-----	0	0	0	59,139
18	2028	-----	59,139	-----	0	0	0	59,139
19	2029	-----	59,139	-----	0	0	0	59,139
20	2030	-----	59,139	-----	0	0	0	59,139
21	2031	-----	59,139	-----	0	0	0	59,139
22	2032	-----	59,139	-----	0	0	0	59,139
23	2033	-----	59,139	-----	0	0	0	59,139
24	2034	-----	59,139	-----	0	0	0	59,139
25	2035	-----	59,139	-----	0	0	0	59,139
26	2036	-----	59,139	-----	0	0	0	59,139
27	2037	-----	59,139	-----	0	0	0	59,139
28	2038	-----	59,139	-----	0	0	0	59,139
29	2039	-----	59,139	-----	0	0	0	59,139
30	2040	-----	59,139	-----	0	0	0	59,139
31	2041	-----	59,139	-----	0	0	0	59,139

The Clean Air Interstate Rule ("CAIR") Sulfur Dioxide Program Phase I became effective January 1, 2010. The CAIR program utilizes existing Title IV sulfur dioxide allowances and requires sources covered by the program to retire two vintage 2010-2014 Title IV sulfur dioxide allowances for every one ton of sulfur dioxide emissions. Title IV sulfur dioxide allowances of vintage 2009 or earlier retain the original one allowance for one ton of sulfur dioxide emissions value. MidAmerican Energy Company currently holds both vintages of Title IV sulfur dioxide allowances.

(1). Allowance vintage 2009 or earlier, one allowance for one ton of sulfur dioxide emissions.

(2). Allowance vintages 2010-2014, two allowances for one ton of sulfur dioxide emissions.

(3). For the period of January 1, 2011 - September 30, 2011, 35,034 tons of sulfur dioxide were emitted which equates to 35,034 vintage 2009 or earlier allowances or 70,067 vintage 2010-2014 allowances. The actual count of allowances used for 2011 will depend on the mixture of the vintage years ultimately retired with the Environmental Protection Agency for 2011 sulfur dioxide emissions. The actual mixture of allowances for compliance will be filed in February 2012 and is subject to change until that time.

Page 2

MidAmerican Energy Company

